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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2265

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INTERNATIONAL AFFAIRS

BRIEFS

NUCLEAR APPARATUS COOPERATION--1 March 1982 marks 10 years since the International Economic Association for Nuclear Apparatus INTERATOMINSTRUMENT (IAI) was established. It is the first economic association founded in the CEMA countries. The headquarters of the IAI is in Warsaw. The members of the association are those enterprises which produce nuclear apparatus as well as foreign trade agencies engaged in the export and import of this apparatus from Bulgaria, Hungary, the GDR, Czechoslovakia, and the Soviet Union as well as from Poland. Poland has the largest share of specialized exports - 44 percent and Hungary - 26 percent. Over the past 4 years, the IAI Association has been engaged in the organization of the production of nuclear apparatus systems for the nuclear power plants based on Soviet construction papers and documents.
[Text] [Warsaw RZECZPOSPOLITA in Polish No 40, 1 Mar 82 p 8]

CSO: 2600/497P

LABOR RESERVES HIDDEN IN ADMINISTRATION CRITICIZED

Prague RUDE PRAVO in Czech 16 Mar 82 p 5

[Letters from Readers]

[Text] "It has become a rule for many people to shrug off the very sound of the term 'administration' and see redtape in it," writes V.V. from Prague 3 in his letter. "It is high time to institute some order in this area, to abolish redtape and to consider the remaining and necessary administration as any other honest work which should be honored."

At the same time, our reader admits that this problem is a hard nut to crack. However, much could be done given goodwill and a desire to solve the problem.

"After 1945, I was selected to be a member of the workers cadre to serve as a head of a personnel department which occupied a single large room, modestly equipped, in which two other female office workers in addition to me worked. When I visited the same enterprise some time ago, I found to my surprise that the same department now had several nicely equipped offices with a large number of employees. One necessarily has to ask himself whether we were more efficient or more diligent when a smaller number of us could achieve the same task."

Is the Office an Ideal?

"I often ask myself whether we shall ever be able to implement the resolution calling for a reduction in administrative personnel," writes K.N. from Pardubice in his letter addressed to our editorial office. "After all, many of our girls have as their goal to find a 'warm spot' in an office. In spite of a low starting salary, there are steady pay increases later. Such increases are not certain for manual labor. In addition, work in an office is clean work in a warm and nice environment. Finally, there is also status associated with such a vocation: I am a female secretary. It sounds quite nice."

"Experienced persons beyond their retirement age working in administrative jobs constitute a separate category. Certain supply or purchasing agents who because of their contacts are able to secure everything possible (and often everything seemingly impossible) will not be let go by any manager because of fear that he himself would be the loser. Some of these employees often say that if they were forced to retire they would disrupt all their contacts and thus greatly reduce the effectiveness of their successors."

Connected Vessels

"I am not an enemy of administration but I do think that it has grown to such proportions that it is necessary to reduce it to a manageable level quickly," writes a reader from Hranice who wants to remain absolutely anonymous. And he goes on: "To make matters worse, we have too many young graduates whose training is in administration. However, administrative jobs are held by people who are well beyond retirement age. Thus, I would like to ask a question: Under the circumstances, what do we do with our young graduates?"

A.C. from Brno writes: "I have not yet heard of any organization whose administrative personnel was specifically reduced. Consequently, I am afraid that the talk about the need to reduce our administrative personnel would at best end in the slowdown of its rate of growth. So far, we have not been able to solve this problem in spite of numerous attempts."

P.J. from Pisek writes: "The high number of people employed in the administrative apparatus is a topic of discussion among our workers. One hears that an effort to reduce administrative personnel will not be successful, that people will only be transferred from one office to another. Such views often are supported by practical experience."

"The Joint Agricultural Enterprise for Animal Production in Pisek is in the process of creating an application center which is already in operation in part. The plan calls for the installation of 4 minicomputers at this center which is expected to have between 25 and 30 employees. One hears that this number equals the reduction in manpower in certain other offices. However, we have in our okres a computer technology plant whose work is criticized by many economists from our cooperatives. By creating a new center we will increase the number of nonproductive workers at the Joint Agricultural Enterprise by approximately 50 percent."

Who Stays?

K.R. from Strasice writes: "For every senior position there is a deputy. We talk about educated people with many years of training who one day should take over the senior positions of their predecessors. Often, however, when the time for retirement comes, a senior worker refuses to retire. Under such circumstances those who were waiting for these posts become disillusioned. When someone is missing in a shop because of illness, the plan must be fulfilled even with a smaller number of workers. However, when the same thing happens in an office, someone else is asked to temporarily help out and eventually becomes a permanent employee..."

In a letter of S.M. from Mistrin we can read the following: "In my 30 years in the plant I recall several spirited discussions concerning the number of office personnel. But in every single instance the outcome was the same. The executives remained in their posts and the reduction of personnel was achieved through the dismissal of several girls in the accounting office or planning office--in other words, through the dismissal of the lowest paid

female office workers. However, because the plant could not carry on without them, new female office workers had to be hired to replace the dismissed ones."

"I was always intrigued by the fact that there were several people performing work which I could handle alone," writes V.H. from Litvinov before going on: "A colleague of mine (in fact my superior) who, contrary to my case, has never been affected by the personnel reduction policy, was always ready to argue that at all times the plant had to have a specific number of THPs [technical economic workers] and for that reason she always considered herself indispensable. Now I am sorry that I failed to register this idea as an improvement proposal because this would prevent my dismissal for 'organizational reasons.' It did not matter that I was the only one with full technical qualifications, that my work was always positively evaluated. Neither of these two factors is of any help to me when I cannot find a job corresponding to my qualifications. What will possibly happen--as often is the case--is that I will be replaced by two unqualified employees and I will do something at a lower level."

Prescription for Reduction

Five shift operators from Trinec wrote us the following: "We have been working for many years as independent operators. We process all data concerning raw-material supplies, material consumption for blast furnaces and wage estimates to be fed into the computer. In January, our supervisor called a meeting at which we were told that our THP status would be changed to that of workers. We categorically refused to accept the change. However, to no avail and effective 1 February our status has been changed without the knowledge of the ROH organization.

"Some years ago we were hired on the basis of our education as technical economic workers. The character of our work is the same. Thus, in this case we definitely cannot speak about a reduction in administrative personnel. We ask a question: What benefits have been achieved by our reclassification? Perhaps the only result is the fact that we work for less money. This can be qualified as a disciplinary and unjustifiable measure. Thus we cannot help but conclude that everything has been done so smoothly because this case involved only women."

1277

CSO: 2400/191

GROSS MISMANAGEMENT BRINGS SLAP ON WRIST, 'PRAVDA' COMPLAINS

Bratislava PRAVDA in Slovak 12 Mar 82 p 3

[Article by Jaroslav Mesko: "Tracing Complaint by Personnel of Slovak Malt Plants, Branch in Trnava, Regarding Curious Management by Engineer Gabor"]

[Text] The SSR People's Control Commission in Bratislava received a topically very serious complaint from the Trnava branch of the Slovak Malt Plants. It pointed out two fatal accidents that occurred there in the course of a single year and ascribed them to gross negligence by the plant manager. "The number of personnel in production is constantly decreasing; manager Gabor uses a disproportionately high number of administrative personnel," it says further. "He devotes all of his time only to traveling and leaves management chores to other personnel. He is extraordinarily fond of consuming alcoholic beverages. His conduct of meetings is also mockery. At a departmental meeting on 5 October 1981 he was so intoxicated that the employees became most embarrassed. He deals with complaints about beer shipments from Hungary by returning the whole shipment to the brewery and having it dumped into the sewage.

The justification for such a complaint must be thoroughly checked out. That occurred directly on the spot, in close cooperation between the People's Control Commission and the SSR Ministry of Labor and Social Affairs, the Slovak Bureau of Labor Safety and the plant's auditors. What were the findings? The rate of work-related accidents has indeed been increasing over the past 2 years. In 1980, the records showed 9 work-related accidents, 1 of them fatal; 14 accidents for the past year in which another human life was lost. In investigation of the first fatal accident which caused the death of a 24-year old worker the Inspectorate of Work Safety in Nitra determined serious shortcomings--missing covers for chain drives of machinery drive sprockets, for processing mechanisms, damaged seats for operators with missing side supports, suitable handles, etc. It unequivocally reached the conclusion that the fatal accident was caused by technical shortcomings on machinery and dangerous work processes and modifications. The second work-related fatal accident involved a 52-year-old female worker engaged in desprouting malt.

Gross Neglect of Responsibilities

In regard to the latter case, the Inspectorate of Work Safety in Nitra stated that "the victim loitered under the influence of alcohol on the plant premises during her work shift. On many occasions, often even when not on a shift, she slept overnight in the workplace. The plant management condoned such a state of affairs even though all operations and plant supervisors were aware of it."

Other findings included, e.g., the following:

- plant management failed to provide regular medical examinations of personnel in compliance with regulations in force;
- entry into the storage bunker and other accesses were not provided with lockable grating, even though the technical means were available;
- instructions to supervisory personnel in regard to duties and responsibilities in the area of work safety and health protection were not provided in the requisite scope, in some cases not at all;
- after hiring of a worker authorized with supervision of work safety, the plant management failed to test his knowledge of relevant regulations;
- shortcomings detected by public work safety inspections are not being eliminated according to any worked out schedule, which applies, e.g., to 11 cases detected in 1980.

In addition to these shortcomings, the personnel investigating the complaint found the malt plant also guilty of lax performance of guard duty and protection of national property. They ascertained that access to the plant through the main gate can be gained without being subjected to any checking, that the back gate for its railroad siding and automobiles was kept open and vehicles were not always checked. In the waste dump--for scrap metal--they found, eg., also eight bags of barley in intact jute and paper bags. Windows of barley storage areas had no screens, providing a feast for pigeons and sparrows, not to mention the risk of passing on various diseases through bird droppings. To put it simply, a deplorable state of affairs bearing witness to gross shortcomings in managerial and control tasks of the plant's management.

Why Did He Travel So Much?

As we have already pointed out, the personal complaint of gross negligence was directed against the plant's top representative, Eng Stefan Gabor, its manager. He has held this post since June of 1978 and it must also be stated that inspections conducted at the level of the plant and general management of the Breweries and Malt Plants trust referred to the inconsistency and low level of his managerial and organizational efforts. Written and oral statements of participants in the departmental meeting of October 1981 say that the manager at that occasion was intoxicated and kept napping. Two days later the plant's personnel was scheduled to participate in civil defense training at Modra. He came to work half-drunk in the morning and continued drinking throughout the day. He exhibited errant behavior and the training supervisor was forced to order him off the premises. Inquiry into the complaint further revealed that manager Gabor makes frequent use of a service vehicle for personal purposes. What is one to think of performance of a plant manager's supervisory function when it is found out that in the course of 5 months that were looked into for

1980, i.e., for 110 working days, he spent 90 days on official and "official" trips? Similarly, for the one-quarter of last year that was looked into--out of 63 working days he spent 43 away from the plant. Who, then, was doing the managing? At the same time, in a substantial majority of cases he was unable to demonstrate what official business he was attending to in those days away from Trnava. Most "official" trips led to Senec, site of his family residence, to Sered, Galanta, Mala Maca, Velke Ulany, Sladkovicov, where he has relatives and friends. Manager Gabor usually returned from these trips late in the evening or at night with eloquent remarks regarding the plentiful hospitality accorded to him. We do not mean to be ironic about his conduct, but there were also cases indicating that he may have a split personality. Thus, for example, on the same day he signed a travel voucher for a trip along the route district of Trnava-Bratislava by official car TTB 86-47 which, according to the trip ticket, took place with the manager's participation between 0700-1930 hours, yet for the same day he submitted a voucher for an official trip with his privately owned car along the route Myjava-Senica-Moravsky Jan, departing at 0800 and returning at 1600 hours after logging in 190 kilometers. And this did not occur only once.

In August of last year he went on an "official" trip to Hungary--with a driver and copassengers, who were his wife and daughter. He made out the travel order for 3 days, along the route Trnava-Hatvan and vicinity. He signed it himself, even though trips abroad call for approval by a superior authority. His wife and daughter remained in Hatvan on leave.... The result of investigation of this part of the complaint? "The submitted documentation leads to the conclusion that at least 6,000 kilometers were logged in trips made by manager Gabor for personal purposes in 1980 and 1981." Alas, the place he should have made trips to--he did not go. The Trnava Malt Plant runs only a single operation outside of Trnava--in Moravsky Jan, where the manager showed up only twice last year. And that in spite of the fact that in late December 1981 330 tons of malt-making barley in storage were discovered to be adversely affected in quality. "This barley is unfit for use in the production of malt," says the final report, "because it does not conform to Czechoslovak State Norm 46 11 63. Its potential use as fodder will have to await assessment by the State Veterinary Institute." How much damage does that represent?

Confirmation was also obtained for the lack of objective procedure followed by manager Gabor in hiring employees for work from among his relatives and friends. Thus, for one of them, holding the post of head of the section for economy of labor, he authorized the maximum pay rate without verifying his theoretical knowledge and practical experience, and a short time later he authorized for him extra pay in the amount of Kcs 300 a month for taking over custody of the administrative building, even though it was common knowledge that he could not systematically attend to this function because he lived in Galanta. And not only he, manager Gabor and this official were for some time drawing separation allowance without entitlement. He employed his daughter in the plant as a standardization specialist with a pay rate that called for 6 years of practical experience, took out 24 days of study leave in excess of the amount specified by regulations, which also is the fault of the plant's personnel department. Manager Gabor used up 25 working days for leave last

year, even though he was entitled to only 20. His daughter, who compiled documentation in regard to this case for control organs, made an attempt to document only 20 days.

This overall atmosphere of discrepancies and deliberate misconduct also became reflected in the fact that a number of technical and economic employees had a very unique attitude to reporting to work on time. For example, a random check of the attendance by the plant's chief mechanic, J. Tamer, showed that in September of last year he was late for work 7 times, lady chemist K. Cerna 18 times in July, 13 times in September, 19 times in October, etc.

What Does Manager Gabor Have to Say?

But let us refrain from continuing to enumerate additional proofs of the unsatisfactory level of management and control efforts of the Trnava malt plant. It is surely interesting to see what viewpoint is held in regard to these and other finds by Engineer Gabor himself. "There are some shortcomings and I myself am not satisfied with the attained results," he wrote in a written comment on the results of the complaint investigation. "We shall strive for their more systematic elimination in the future, but I would like to point out that prior to assuming my present post I took over a plant which had many more shortcomings which we kept gradually eliminating, but not all of our efforts met with success--be it for objective or subjective reasons--in the short time we had to do it. As regards consumption of alcoholic beverages, their use was only occasional. In regard to civil defense training, at that time I was using medicines that forbid consumption of alcohol. When I did consume a small amount in the afternoon, the resultant reaction occurred. It is true that official trips did receive an inadequate amount of attention, due mainly to the fact that trip tickets (documentation of vehicular travel) failed to be filled out immediately after conclusion of the trip with mileage listings. I shall continue to exert all my efforts and try to eradicate all my mistake, and insist that all leading personnel of the plant I am managing to the same."

This statement--when confronted with the documented misdemeanors of manager Gabor--actually does not deserve a personal commentary. After proven extensive misuse of an official car for personal purposes, to speak of "official trips did receive an inadequate amount of attention," or how the manager shall exert all his efforts to eradicate his mistakes, and that everything used to be even worse before, translates into difficult to understand, irresponsible depreciation of persisting, curious and unjustifiable criteria in judging all that has been going on in defiance of societal interests in the Trnava malt plant under the leadership and, often, direct participation by manager Gabor.

And the Consequences?

As can be seen, the complaint from the malt plant in Trnava proved to be substantiated. But what consequences were derived from the established seriously negative findings? Manager Stefan Gabor imposed on 22 employees, who were directly or indirectly responsible for the detected shortcomings, punitive measures connected with financial forfeitures. Other measures that are to be

implemented on his orders concern increased demands on the quality of statistical documentation of operations, improved economy, hygiene and more effective implementation of measures for work safety. The plant manager of the Slovak Malt Plants, Peter Marcan, included in his written instructions an order to curtail trips by official vehicle and that those which extend beyond the Trnava district were to require his approval, to improve the level departmental meetings in the malt plant, devote extraordinary attention to production consultations and familiarization of personnel with the plant's tasks and problems. Additional measures deal with resolution of the problem regarding the defective malt-making barley in Moravsky Jan.

Regarding the manager, Eng S. Gabor, his leave is to be curtailed this year by the amount of days taken in excess last year, a reassessment is to be made of his private trips in his official car and a proposal is to be submitted for determination of sanctions. An investigation will be made into the causes for unauthorized granting of tax relief, of which he availed himself, and recourse will be taken against the responsible employee. The daughter must reimburse the salary for unauthorized taking of study leave--for 22 days.

There is no denying the fact that learning of such conclusions directly compels the question as to whether the sanctions are commensurate to the detected shortcomings; whether it should not have been followed up by a fundamental personnel ruling at the head of the plant. We ask that question of the plant management of malt plants and of the general management of Breweries and Malt Plants.

8204

CSO: 2400/189

COMPETITIVE BIDDING FOR INVESTMENT PROJECTS RECOMMENDED

Budapest FIGYELO in Hungarian 17 March 82 p 5

[Article by Gyorgy Csillag: "Investment with Competitive Bidding"]

[Text] If someone wants to extend his wardrobe by buying a new coat, he goes through many steps. First, he assesses his desires (fur coat, topcoat, jacket, etc.). Then he compares the supply options (department store, specialty store, boutique, etc.) and also calculates how much he can spend to fulfill his need.

If, however, this same man--say, perhaps, as the director of an enterprise--organizes an investment project on behalf of his business, he is generally less scrupulous. He associates his investment plans with some "trendy" central investment project. Because he is accustomed to excess income, he avoids the careful analysis of the market and starts into his investment without ever clarifying his financial resources, the possibilities for planning and execution, etc.

A Market or State Regulation?

Economic planning cannot effectively control these pursuits. Increased regulation is always the goal of economic direction, but concessions are always necessary: In practice, matters always develop otherwise than written in law.

This paradox is largely due to the fact that even after 1968, the optimum national economic development was not based on a regulated market. Instead, a few investment-related "national economic" interests were instituted through market mechanisms during periodically changing planning periods. In other words, there was an attempt to institute economic rationality through external means, through administrative channels rather than through the self-interest of those involved. However, since allowances in kind were the goal of economic direction, compromises--and, worse, unclear compromises--became necessary. Thus, for instance, the order of establishment of investment authorities was made more "rational," but the execution of some of the largest investment projects took place without approved investment advice. The accounting system is also set up to force contractors to complete their work by deadlines. At the same time, on the basis of private permission, the settling of accounts for especially large or important investment projects takes place in monthly installments.

The credit mechanism exercises considerable control over so-called corporate investment projects; thus these can at least be called "mixed" investment decisions. But even in these instances, economic planning bodies often pre-determine the allowances resulting from the investment project and similarly determine the funds available for development. Only these investment decisions are left to market determination. (To be more exact, not even these decisions are determined on the market, since market connections are organized on approved state planning lines, through prescribed contractual responsibilities and the central determination of prices.) Under these strict circumstances, the involved businesses are naturally more interested in loosening their restrictions than reaching their goals quickly. In addition, they seek to force contractors into allowances on nonregulated points (deadline, volume, participants, etc.).

Pressure toward Irrationality

As seen, the goals of the planned investment mechanism--that is, the systematic, organizational and contractual investment system--were disarranged merely due to sketchily indicated tendencies. Instead of developing and strengthening the institutions in accord with the planning system, economic planning involved the use of more and more direct pressure mechanisms. Thus, certain institutions such as the funding institution--intended for conditions of excess income--became more widespread.

We can only escape this artificial and self-perpetuating investment tension by introducing a new investment system that differs essentially from the present one. Businesses must be permitted to act according to the major directions indicated by regulations, at the same time making economic decisions that are rational from their own standpoint. This can be effected by realizing regulated market mechanisms and developing the condition and institutional systems of socialist enterprise.

Creation of Interest

The backbone of the new investment system is competitive bidding. Under the present system, improvement of the investment system is expected from improved preparations; that is, the earliest possible decision of values. The essence of the new system is that it creates special interests. It forces the investor to accept bids from the contractors, and thus the investor must

--be involved in the effective realization of the development (its behavior toward the contractor must tighten);

--engage the most advantageous bid from the contractors;

--draft an inviolable contract as the sole, mutually acceptable condition for the parties' tasks.

How can the system of competitive bidding be made universal? One method is to make it required--with at most a limited number of exceptions. Another is to make competitive bidding one part of hiring--leaving broad opportunities for

the parties to determine prices and other conditions of the contract. These two methods do not exclude each other. Where the investor is really interested in the effectiveness of the contracted service, the application of any type of force is unnecessary.

Investment projects for administrative and general budgetary organizations represent a different situation. These customers are less sensitive to market impulses, partly because of the nature of their development (generally not productive investment) and partly because of the motif of their function (in some cases, their political function necessarily crowds out their economic side). In this circle, therefore, the interest of the customer is not adequate; here--but only here--the required use of competitive bidding is justified.

The use of competitive bidding in noncentral investment projects would best be ensured if the establishment of prices were left to the agreement of the parties. This would also ensure the interest of the parties without any other pressure or motivation.

Legal Protection

The purity of competitive bidding must be buttressed by criminal and common law methods in accordance with international experience, since both the investor and the bidders must be protected from possible abuse from the other party. For instance, it must be specified that

--one contractor may make only one independent bid at a time (this naturally does not exclude the possibility that the contractor make other bids in association with other contractors);

--the contractor must provide a significant deposit and security;

--the original bids must be solicited in a fashion such that they are comparable;

--the secrecy and the confidentiality in handling the bids must be ensured by severe prosecution regulations;

--the investor may not engage in preliminary discussions with contractors; after acceptance, bids cannot be modified. In addition, the organization of a body with rights to judge complaints against the purity of bidding seems useful (for instance, if a contractor obviously did not select the most favorable bid or if a group of contractors worked together for the purpose of cornering the market, this body would have rights to invalidate the bidding.) The judgment of such complaints is thus legal and also requires extensive economic trade knowledge. The speed of judgment of complaints must also be maximized.

The incorporation of competitive bidding naturally requires revision of our beliefs concerning the regulated market. The market cannot try to accommodate the realization of nonmarket development goals. Instead, it must exercise control over the selection and preparation of development goals. The sphere of investment thus becomes a real investment market, in which--in addition to and based upon macrolevel state direction regulations--the investment competition will create and preserve the dynamic balance of the investment market.

9890

CSO: 2500/174

MEASURES FOR IMPROVING ENERGY MANAGEMENT DESCRIBED

Budapest NEPSZAVA in Hungarian 27 Mar 82 p 4

[Article: "Investments for Improving Energy Management"]

[Text] At the end of 1980 the Council of Ministers approved the energy management program for the Sixth Five-Year Plan period according to which by the end of 1985 an annual savings of 41 to 42 petajoule of energy savings would have to be achieved through various developments and organizational measures. This volume of energy is equal in value to 1 million tons of oil. According to the energy management program an additional 17 to 25 petajoule of savings can be expected by substituting cheaper energy sources for more expensive ones (heating oil, coke).

On basis of the program, 15 billion forints' worth of investments will be implemented for energy rationalization by the end of the plan period. Originally, the plan included 6.4 billion forints' worth of state supports for the developments, the rest to come from enterprise sources and bank credits.

Under what conditions and for what kinds of development will the enterprises be able to receive support? Among other things, we asked answers to this from Tibor Malaczkov, deputy director of the AFT (State Development Bank).

The deputy director said that by the end of last year 540 applications had been received by the State Development Bank; it granted state aid to 340 of these, while the others had to be rejected for various reasons, generally because they were not sufficiently economic. State support can be granted only for developments which are economic, and the investment sum is recoverable in 5 to 7 years from energy savings.

But the end of 1981, the AFB had made decisions on almost 6.4 billion forints' worth of energy rationalization investments, in which it granted about 4.1 billion forints in state supports. The promised energy savings for the developments come to 17.5 petajoule, and 6.1 petajoule by changing over to more favorable energy sources.

A total of 133 of the above-mentioned 340 investments should have been completed in 1981, but in fact 109 were finished. Among others, the

construction of two hot blast cupola furnaces was completed by the Foundry Enterprise at the Kisvarda Iron Foundry. In exchange for promised savings in coke use, the firm received 6 million forints of state support for the 32.5 million forint investment. The Sarkad Sugar Factory received 2.5 million forints in state support for the installing of heat exchangers which will make it possible to use waste heat. The Csopakaj Agricultural Cooperative received 10.9 million forints in state loans which they used for changing over from heating oil to natural gas in the running of driers, boilers and hot air blowers.

The AFB also supported developments which promoted the storage of moist produce. Thirty-four investments of this type were completed last year at a total cost of 132 million forints, for which 39 million forints of state support was granted. Through the moist storage of produce a savings of 161 terajoule of energy can be achieved annually with the help of the developments.

Ideas for energy savings by burning waste materials also met with favorable judgment. For example, the Somogy Forest and Wood Processing Enterprise received 25 million forints in state supports for 39.8 million forints worth of investments used for installing wood-burning furnaces; in exchange, they will save annually 150 terajoule of energy. The Babolna IKR [Industry-Type Corn Production System] and the Kecskemet Parquet Manufacturing Enterprise will also use waste for the development of energy savings.

Last year the Economic Committee passed a resolution on speeding up the energy management program in which, among other things, it prescribed that it will be necessary to press forward with the implementation of developments basic to energy management. To this end, the Salgotarjan Iron Foundry and Stove Factory will receive a state loan of 225 million forints for an investment of 250 million forints. It will be used to modernize and enlarge the manufacture of coal-burning stoves. For a similar purpose, the Hajdusag Industrial Works will receive a state loan of 103 million forints for a 207 million forint investment to implement the manufacture of hot water storage units with a greater life span and greater energy savings.

The energy management program will continue in 1982, hereafter also from the main point of view that the share of oil consumption must not be increased in the country's energy balance. Related to this are those applications, still to be decided on, which refer among other things to expanding the manufacture of heat-storage electric stoves and the development of support infrastructural lines (hattervezetekek) which make possible the use of the stoves. On the basis of the resolution by then Economic Committee, total state support was raised to 7 billion forints, of which it is expected that 2 billion will be used this year.

6691

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CSIKOS-NAGY ON THEORETICAL ISSUES OF STRUCTURAL TRANSFORMATION

Budapest VALOSAG in Hungarian No 3, 82 pp 14-18

[Article by Bela Csikos-Nagy: "Ten Questions of the Production Structure"]

[Text] The review of the production structure now on the agenda has raised important questions from the viewpoint of forming public thinking. In the following we will discuss these in ten points.

1. The Macro- and Microstructure of Production

When characterizing the composition of production one can distinguish a macrostructure and a microstructure. The macrostructure can be characterized by the quantitative ratio of the production branches; the microstructure can be characterized by the quantitative ratio of products within the production branches. The macrostructure is linked to expanded reproduction; the microstructure is linked to one-time reproduction. The former is a matter of investments; the latter is a matter of production programs.

In agriculture the macro- and microstructure are organically linked. The state farms and producer cooperatives can fundamentally change the macrostructure of agriculture with their decisions, in regard to the ratio of animal husbandry and crop production and in regard to the internal composition of the branches.

In industry, in contrast to this, the macrostructure is essentially determined by the given factory structure. In industry the macrostructure can be changed only with investments or by shutting down plants. In the case of new installations the structural transformation can be distinguished even organizationally from the existing plants.

The economic reform of 1968 reckoned with the different peculiarities of the agricultural and the non-agricultural sectors. In agriculture the price and financial policy dealt with state guidance in a uniform system. In this sector the price, based on the interest of the producers, has been a general regulator since 1957. In contrast to this we could make a distinction, in industry, between regulation of manufacturing organization and the expansion of production. After 1968 the enterprises could organize manufacturing with relatively great independence. But central guidance remained strong in developmental

policy. In agriculture budgetary support and the selective credit policy of the Hungarian National Bank served investment decisions coordinated with the plan. After 1968 self-financing spread in industry also, but the central will had a more direct effect here, primarily thanks to the individual large investments.

2. Growth Controlled by Supply and Demand

There is an opinion according to which investments must be controlled centrally because planned, proportional development cannot be based on the market price automatism. Regulation outside of prices is possible because in planning the state can rely on the technical balance laws of social production. We are all acquainted with the Marxist schema of expanded reproduction which describes shifting ratios among the three basic sectors (industry, agriculture and services) and among the A and B sectors within industry as a function of changes in the consumption structure. If the state wants to control the course of socialist industrialization on this basis it must take structural policy out from under control by prices. In this case the price provides a self-accounting function and ensures material interest in a planned production structure in a way which follows structure. This is actually growth controlled by supply, and it is served by an autarki price system.

The complex program adopted by CEMA in 1971 put on the agenda production cooperation and manufacturing specialization among socialist countries. This meant a general review of traditional structural policy. In fact, if international competitiveness must be kept in view then only demand can control the course of growth, and this can take place only by linking in the price function.

3. The Possibility of Evaluating the Production Structure

It is not realistic to presume that the enterprise level tasks of changing the product structure can be broadly designated or solved by central decisions. Profitability is not a product category but rather an enterprise category. Uneconomicalness at the product level can be judged only on the basis of a comparison of the product structure alternatives. Thus, in practice, the process of transforming the microstructure cannot be controlled centrally at the level of products.

Of course, there are processes which can be well controlled centrally. Such, for example, is the energy management program, the successful execution of which directly requires effective central guidance. Such and similar programs greatly aid a solution of the structure problem--if they keep in view the requirement of an optimal combination of production factors.

Let us add that there are conditions making possible an evaluation of the production structure. For example, in a price system forced to follow structure the price does not provide a basis for adequate calculation of this. This is why a competitive price system was adopted in 1980; it was hoped that this would provide economic clarity. Thus, a well determined price system is

an indispensable but not a sufficient condition for rational behavior. If state planning is not adequately adjusted to the requirement of an efficient structural transformation and if the sale of the final products does not determine commodity links and interest relationships among enterprises then matters cannot be turned around despite the best intentions.

It appears desirable to develop the macrostructure primarily as a result of changes in the microstructure. In this case the development of the enterprise sphere has an effect on the ratios among economic branches; those areas will develop more dynamically in which the enterprises make a high profit by adapting flexibly to the market value judgment. As a consequence the sphere of state investment decisions narrows and, where possible, indirect methods of state intervention are applied.

4. Export Expanding and Import Replacement Development

In an economy sensitive to foreign trade virtually every productive investment is directly or indirectly export-expanding or import-replacing. It is tempting to view these as two trends, to imagine that export expanding development serves international competitiveness while import replacement development is a concept of economic isolation. If the difference between the two trends were so unambiguous there could hardly be any doubt that we should take the path of export expanding development. In reality, however, one could create export expanding capacity which was based on imported technology and which could be maintained only with imported materials and parts. And one could carry out import replacement developments which decreased the specific material and energy needs of production, and thus improved the export efficiency of the national economy.

At least two things follow from all this. In the first place, we must reckon with the foreign trade aspects of every development. In the second place, the economicalness or uneconomicalness of production is determined only as a function of world market price relationships, with the current manufacturing technologies and material structures. The extra export which can be realistically counted on is the determining factor.

5. Development of the Regulator System

We must participate in international competition amidst boom and bust, upswing and recession. This can be dealt with by a production organization which tolerates fluctuations, and even follows them by virtue of prices. This ability of our production organization is made questionable primarily by the base system of material interest. This type of interest was introduced in a system of plan directives and it was maintained by the 1968 economic reform primarily by virtue of wage regulation.

A base system of interest creates a growth (investment) pressure. If the basis for judging enterprise work is improving performance (profit increment or an increasing rate of profit), if wages can be increased and premiums can be awarded only if performance improves, then in the event of decreasing prices (rate of profit) there is weak incentive to stay in competition.

If base interest is maintained there can be only one answer to a condition of uneconomicalness--technical development, but never the transfer of capital to another enterprise or branch. Thus structural transformation can run into the obstacle of a shortage of capital even when capital otherwise would be available. The task is to create mechanisms which encourage capital withdrawal and capital flow, and the necessary manpower mobility.

6. The Interdependence of the Financial and Price Function

It is customary to characterize the 1968 economic reform as a transition from centralization to decentralization. But in the case of monopoly enterprises this is only "handing down" spheres of authority, because in a few key industries (for example, in energetics) central guidance ensures efficient management.

Centralization-decentralization requires different solutions by sector or branch. But if the price is to be an efficient structure-orienting factor there is a need, before all else, of the unfolding of the financial function. The financial function can be realized if, within the frameworks of an economic policy strategy, the enterprises can manage independently, guided by profit interest (the principle of realizing a return), if balance relationships prevail in regard to both production factors and products (money being a real payment tool) and if the money has a link to international operations (can be converted into foreign exchange).

The more complete the financial function the more likely it is that the enterprises will be able to act as the economic calculation "dictates." In this case policy hides "behind" the factors determining the calculation; it continues to be present, but it is invisible. Thus the economic reform might be characterized as monetarization rather than decentralization.

In the course of the 1980 correction of the economic regulators great emphasis was given to a switch to normative financial regulation. This was intended to mean that financial policy would create the same conditions, setting a uniform standard for enterprise management. Is not difficult to see what great significance this has from the viewpoint of the realizability of economic efficiency. By means of fair treatment the government wanted to put an end to the practice of making exceptions, because of which good enterprises had to be taxed for their outstanding achievements. All this created a tendency to correct to the average.

But the "normative" character of regulation must be interpreted correctly. There are differentiated regulators according to economic sectors. And there are game rules which will be applied if an unexpected situation arises, if economic policy attributes special significance to definite goals and thus creates an interest in their realization, etc. There are those who consider even this practice the making of harmful exceptions and regard it as a violation of the announced principle. In reality, in our complex world, we cannot do without mechanisms, in a world economic medium which may be changing too quickly, which create tolerable frameworks for accommodation. But we must realize a principle of mutual rights and obligations, of "something for something."

7. A Marketing-Oriented Organizational Structure

The institutional structure of our economy developed in the 1950's and is based on an hypothesis of freedom from problems. According to this hypothesis all problems can be solved by state planning. Thus there was need for an organization which ensured execution of the plan. This is a production-oriented institutional structure which is characterized by articulation according to production phases and management functions. In this way the organizational structure of the economy can be made most suitable for being "kept in hand", molded to the administrative system. But in an economy controlled by demand the marketing function, performance recognized by the market, stands in the center.

Switching over is complicated, because it requires not simply a reorganization but rather a fundamental attitudinal change.

No one can think seriously of centrally controlled reorganizational campaigns. We must create conditions for judging enterprise work which force a re-ordering of the production functions, linking them to the given tasks. A demand-oriented production organization will probably lead to an organizational structure where the work of the enterprises will be judged by the success of ultimate realization.

8. Balance and Growth

Today the condition of the Hungarian economy is characterized by stagnation. National income in 1981 hardly exceeds that of 1979. This deviates fundamentally from the annual 5-6 percent rate of growth which developed historically in socialist construction.

But whereas, up to the first oil price explosion, the high growth rate could be attained while preserving, more or less, the international balance, following that it, and especially the 1978 "investment cycle", led to great indebtedness. The credit worthiness of the country, and thus the supply of money needed for an undisturbed operation of the economy, was endangered. The turn in economic policy implemented at the end of 1978 put an end to this process. The change in economic policy is characterized by giving priority to the balance as opposed to growth, to maintaining the standard of living as opposed to economic development.

In the wake of turning to the new economic policy course there had to be a decrease in capital efficiency. This is a natural concomitant to the brake on growth. If an economy developing at an annual rate of 5-6 percent is stopped, capacity reserves unavoidably arise. For a time new capacity being introduced expands the economy at the old rate. If we want to put this new capacity into operation then we might really debate the justification of the slowdown. In reality, however, we know that under the given conditions the high growth rate would require supplementary import, while export would not or would hardly increase. It is good to think of this when the slogan of a "getting under way" policy, which appears extraordinarily popular, is opposed to the stagnation.

9. Export Pressure

The new growth course can be followed only with extra export. This is precisely why such great emphasis must be given today to preserving the balance.

Analyses were done even in the 1970's concerning what behavior our industrial enterprises should evidence in regard to domestic sales or, in the case of export, in regard to sales in the ruble and the non-ruble relationship. The studies pertained to a period when--as a general rule--greater profit could be attained by non-ruble export than by ruble export and when greater profit could be attained by ruble export than by domestic sales. Despite this most enterprises preferred domestic sales to export in the ruble relationship, and preferred export in the ruble relationship to export in the non-ruble relationship. In other words, the decisions were not governed by the relative profit in the three-market relationship.

More detailed analysis disclosed that great advantage which derived from the producer favoring the consumer, or rather which derived from the fact that the risk was minimal on the domestic market. Export in the ruble relationship was advantageous because of long term stable orders and because there were hardly any consequences from uneven deliveries, uneven quality and the failure to supply spare parts.

The conclusion is self-evident. Simply in the hope of extra profit the enterprise would hardly prefer export to domestic sales. So the task was a restrictive monetary policy, giving priority to the balance as opposed to growth--in the final analysis, export pressure. In such a situation enterprise behavior is export-oriented, because export volume is a condition for capacity exploitation.

10. Transition to a New Growth Course

In a transition from stagnation to new growth the greatest harm can be caused by extreme thinking. According to one routine approach a modern transformation of the production structure is possible only by investment, by introducing new technology guaranteeing the world level. According to another view growth can be initiated only after a radical transformation of the guidance system.

We must act on the basis of realities. Export potential can be developed even with the given production structure. Even products of average quality can be sold well on the world market. Every clever investment and every wise step in regard to the guidance system can lead to a gradual solution of the structure problem.

On the basis of the primacy of production we must oppose every organization of production which is divorced from the value judgment of the market. If we do not proceed in this way our economic policy will get stuck in the maze of stagnation. We must smooth the way for new growth by coupling the balance policy to a policy of progressive production development.

The founders of economics created this science as the economics of production. They studied the phenomena of economic life from the side of production and discovered the law of equivalent exchange, which controls social production and by virtue of the functioning of which needs have an effect on production and production is adapted to needs. Marx developed this theory further when he worked out the theory of surplus value. In the capitalist world today, in the hard days of stagnation, they are rediscovering this theory, forgotten for half a century. They are taking steps to adjust budgetary policy to requirements for taxation which encourage production. Having put an end to a developmental policy divorced from the value judgment of the market, we should not forget this either.

8984

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DEPUTY MINISTER INTERVIEWED ON AUTO REPAIR SERVICES

Budapest MAGYAR HIRLAP in Hungarian 20 Mar 82 p 5

[Interview with Istvan Cseri by Istvan Matko, deputy minister of transportation and postal affairs; date and place not specified; "Deputy Minister Istvan Cseri speaks: Auto repair--before reform."]

[Text] Istvan Cseri was born 22 November 1935 in Szombathely. He comes from a working-class family. In 1964 he obtained an engineer's diploma from the Technical University of Budapest, then in 1979 he graduated from the Political College. Beginning in 1957 he worked in various positions with the Road Maintenance Enterprise of Hodmezovasarhely. In 1973 he became director of the Hodmezovasarhely Highway Office, at the end of 1974 [he became] director of the highway department of the Ministry of Transportation and Postal Affairs, and since January 1980 [he has been] deputy minister of transportation and postal affairs.

It is well known that Hungary has entered the ranks of the countries with more than a million automobiles: its vehicle fleet exceeds 1.1 million. It is expected that by 1985 the number will be already 1.5 million, and at that time approximately one out of every three or four families will own a personal car. It is a matter of opinion whether this is a good thing. But there is no question of opinion on to what extent this degree of motorization will require a developed service capability and a supply of spare parts.

Unfortunately there are many things to be improved in this area: auto repair services are struggling with financial worries and tensions. These are already such that they are harmful to the interests of car owners and even of the service people themselves. Needs are not being satisfied sufficiently, and organization auto repairs, the supply of spare parts, and the system of interests are all inadequate. In view of the situation that has developed, the Ministry of Transportation and Postal Affairs has begun a thorough reform of this service branch.

Preparations have taken a long time, and since the Council of Ministers made the KPM [Ministry of Transportation and Postal Affairs] solely responsible for them, they have been speeded up. Our colleague, Istvan Mako, talked with Istvan Cseri, deputy minister of the KPM, about this.

[Question] We are on the threshold of the new phase in "repairing" automobile repair. It cannot be denied that earlier attempts did not bring about much result.... What kind of principles are being applied to the work starting now?

[Answer] We have considered that the first and most important thing to be done is to divide our tasks in the future among the particular councils responsible of services. More precisely, that we incorporate them into our plans, we make use of their experience, and include them in practice in the reorganization. To this end, we discussed in a meeting at the end of last month with the council leaders of each megye how they viewed the change.

[Question] What kind of opinions were expressed?

[Answer] We agreed that our two most important matters were to modernize the organization of support services and to solve [the problem of] spare parts supplies, including rebuilding; and secondly to establish a new organizational system for auto repair operations. I must say that this is not the first time we have requested the opinion of the regional organizations, since according to the decision of the council of ministers, as the ministry supervising AFIT [Industrial Trust for Auto Maintenance] we needed information to evaluate decentralization. At the 25 February meeting referred to earlier, we expected the council's opinions on the goals for organizational modernization of the whole branch. I feel that we received the help we needed for our further work. Opinion was unanimous that we need organizational decentralization. We received many suggestions for selecting the type of organization.

The responsibility that the public services place on the councils for regional supply was noticable in the opinions [expressed]; many proposed a somewhat closer link between the independently operating units to the [main] organization.

[Question] What does this mean in fact?

The Gyor megye council wants to assume supervision of Auto Repair Enterprise No. XV with its two units (service stations) in Gyor and one in Csorna. Bacs-Kiskun megye is planning to assume supervision of Auto Repair Enterprise No X with several of its units, but without the Kecskemet unit. In Nograd [megye], they are organizing a separate enterprise from the four AFIT operations, whereas in Fejer [megye] they are thinking about organizing small independent enterprises. But we reached an agreement regarding goals for organizational development that for better and more modern supply there is a need for competition for consumers and, further, [a need for] a system of financial incentives to encourage more and better work. In the changed economic situation we must emphasize developments without construction and broadening the network of specialized small and skilled workplaces. In order to increase production we must increasingly fulfill the interests of individuals and groups--improving quality and decreasing costs. Economy must be achieved in the services with improvements in quality instead of unjustified installation of new parts.

[Question] If we think this through, it means making the service stations much more competitive--but in such a way that we do not give any one of them market advantage over the others. Neither the state auto repairs nor the private small tradesmen....

[Answer] Yes, competition among the services could eliminate their deficiencies. I think that a more rational supply of spare parts and a better system of incentives can bring about an immediate favorable change. Today in the auto repair industry various organizations--AFIT, collective auto repairs, small tradesmen--are coexisting, and there is also a "black market" auto repair as well. We are attempting to register the [places that have] capacity for auto repair in order to make them public--and at the same time controllable and directable. This also means the establishment of new forms of economic cooperation among small service stations, small collectives, and enterprises. In addition, [it means] the establishment of new, more independent, and more efficient units (for example, specialized groups). We are thinking of extending licenses to small tradesmen in secondary employment--this is a task of the councils--and also of organizing cooperation between state and cooperative operations and small tradesmen.

[Question] The plans are full of possibilities, if I understand them correctly, but they don't affect auto repair in practice.

[Answer] I am happy [to answer] this question, because without it the picture of auto repair activity could not be complete. The largest portion of the work of AFIT is in fact the repair of commercial vehicles, rebuilding of main components and spare parts, and the same of replacement parts. This activity will be indispensable for transportation of people and goods in the future as well.

Few people know that the large service stations that perform many functions were built with a dual purpose, because the funds made available centrally have mainly been for the development of capacity for commercial vehicles. Still it can be observed that these operations have not relegated service to the population into the background. They have continued to accept work from the public. We are striving for the same or a greater degree of openness in organizational decentralization, as this is one of the goals of modernization of the organization.

[Question] I am scarcely exaggerating [when I say that] there is widespread interest in the resolution of tensions in auto repair and the reorganization--even now at the beginning. What kind of rate [of progress] can we expect in the future? When will the changes in enterprise organization take place?

We are in the middle of preparations; my colleagues here in the ministry as well as in the councils are working out the recommendations. Then we will present a synthesis of them to the Economic Committee, so that implementation will follow immediately after [their] decision. I think that we will first modernize the support organization for supply, replacement, and rebuilding of spare parts, then the second step will be the organizational transformation of the enterprises.

I would not like to talk about the complexities and difficulties of the task, as we consider these to be natural. We have to consult with commerce, stockpiling enterprises, organizations of small tradesmen, and not least, with other ministries. This kind of large-scale modernization can only succeed if we organize well the division of labor and can count on the active cooperation

of every participant. We must also not forget that auto repair--as a service--must continue to operate undisturbed throughout the period of reorganization, so we must not create any uncertainty. In order to avoid this, we have decided that the work will be accomplished with the greatest possible openness, or in other words we can say: in full view of public opinion.

9611

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LEGAL GUARANTEES FOR ECONOMIC REFORM PUBLISHED

Warsaw RZECZPOSPOLITA in Polish No 52, 15 Mar 82 p 6

[Article by Mieczyslaw Kaminski]

[Text] After 3 months of intensive study, the Sejm on 26 February 1982 passed nine resolutions that should guarantee the rebuilding of our country's economy. Through the resolutions on governmental enterprises and self-government, the legislative bases have been created for economic reform. Formulation of legal acts alone is not enough. If the acts are to fulfill their function, they must be enforced.

Undoubtedly one condition for implementing the resolutions is an exact knowledge of their contents. We hope that this goal will be served by a series of publications in which we discuss all the resolutions passed at the Sejm's last plenary session. The resolutions will be published in an upcoming issue of DZIENNIK USTAW, about which we shall inform our readers shortly.

The Ultimate Principles of Planning

The resolutions on socioeconomic planning, which contains the fundamental directions for changes in the economy, occupies a special place among the legal acts cited.

Within the ultimate system of planning, the following were established: withdrawal from the hierarchical ordering of lower-level plans to the central plan, guidance of enterprises' activities through the aid of economic instruments and the broad participation of society in the planning process. From the entirety of the intended changes come three general principles for the planning system: two-level planning, integration of central planning with planning in the enterprises, and collectivized planning.

The Principle of Two-Level Planning

Central and territorial planning must be joined with the enterprises' independent planning. State administrative organs will take the responsibility for implementing the central plan's strategic tasks, the enterprise will be responsible for observing the regulations with respect to cost-effectiveness and results.

The central plan defines the primary goals of the state's socioeconomic policy, the means for its implementation and the parameters for the enterprises' functioning. It will be implemented in definitive, prognostic, informational and instrumental parts.

The definitive part of the central plan will contain decisions concerning a) rates and directions of the country's economic development; b) economic balance and also income, price, budgetary and credit policies; c) utilization of production resources as well as directions for the development of science and technology, designed to overcome developmental barriers and to increase managerial efficiency; d) structural transformation in the economy, especially in the areas of raw materials, energy and infrastructural investments; and e) conditions for socialist economic integration as well as for the country's defense and security. None of these problems can be resolved by individual enterprises, because they exceed their field of activity and possibilities for action.

The remaining parts of the central plan must shape the conditions of economic choice within the enterprises through supplying them with information on macroeconomic prognoses and developmental limitations, economic tools for the enterprises' managerial activities and also information directed to a definitive group of enterprises or other participants in the planning process; e.g., banks, trade unions, and academic and social organizations.

The enterprises must define the effective means by which to implement their own intentions through compliance with the legal conditions on state enterprises. The enterprises will work out their own plans independently, adapting their scope to technical and economic conditions as well as to the required regulations.

Planning within the enterprises will adhere to the rules of economics and self-financing, which are supported by goods and monetary efficiency and rational action on a microscale, as well as interest on the part of the enterprises in the quality and efficiency of planning their own activities and developmental intentions.

A few deviations from the principle of two-level planning can have a place in voluntary groups. The statute would transfer to the group a portion of the regulations associated with enterprises; e.g., material and technical supplies, markets, etc. Such deviations also can appear within groups of enterprises created by law in some areas of the economy, through which the eventual delegation of regulations for enterprises with respect to groups should be statutory.

The Principle of Planning Integration

Integration of central planning with planning in the enterprises depends upon the achievement of goals and central planning tasks through the activities of independent enterprises. The following guarantee the integration of the enterprises' activities with the goals of socioeconomic planning policy:

- agreements negotiated by the state administrative units with enterprises regarding the implementation of tasks from the central plan and agreements between enterprises;
- parameters and economic standards shaped according to assignments of the central plan;
- transmitted planning information; and
- administrative means adapted in cases foreseen by legal regulations.

Indirect, direct and informational connections can differentiate within the developed network of integrated connections between central planning and planning in the enterprises. Indirect connections will include a form of parameters and economic standards; e.g., wholesale and retail prices, a percentage of banking credits and production resources, amortization rates for fixed assets or exchange rates for currencies. These parameters define pricing for production and various created factors and then also influence the level of the enterprises' fits and production costs. In order to implement the selected undertakings of a strategic economic meaning or a large social meaning, enterprises will be joined directly to the aid of administrative managerial instruments or state orders.

Principles of Collectivized Planning

Above all, this principle is expressed not only in the plan's contents but also in planning procedures. Social needs will establish the basis for defining the plan's contents; i.e., the choice of social goals and the means for their implementation. Agreement between the selected choice of goals and needs will bring the following: 1) better understanding of the choice's motives and 2) social acceptance of the decision. The principal role in the socialization of planning will fall to the general, territorial and self-governing representative organs of authority; e.g., the Sejm, national councils and workers' self-governments, which will evaluate socioeconomic project plans or define their elements. The choice of fundamental socioeconomic goals and directions of development, and thus one of the variants of the National Socio-economic Plan set by the government, will belong, of course, to the Sejm of the Polish People's Republic. The opinions of representatives from trade unions, social organizations and individual experts also will be systematically presented at a Sejm forum (Sejm commissions).

Participation by society in socioeconomic planning can assume various forms --negotiations with trade unions, consultations with institutions and academic associations, public discussions with interested communities on more important problems of project planning, direct participation by interested socioprofessional groups in planning studies and so forth. Within the enterprises, the activity of workers' self-governments, taking advantage of authority guaranteed by statute, will be able to investigate with insight the assumptions of each enterprise's draft plans, cooperating with trade unions and other socioprofessional organizations.

The condition for increasing social participation in planning and the implementation of socioeconomic plans is the adaptation of the participants' needs to the system of planning and statistical information as well as the establishment of suitable forms for the institutional control of planning execution.

Realization of the new planning principles will be inseparably tied to changes in other elements of the economy's functioning, especially the principles for setting prices and payments regulations for enterprises as well as institutional and organizational conditions.

Planning in 1982, under the conditions of crisis and martial law, differs both from past planning and incoming solutions of economic reform. Among the characteristic traits of planning in 1982, one can include the adaptation of time frames in the plans for specific problems today, as well as isolating operating programs. In adapting planning to the resolution of immediate economic tasks, the government will not lose sight, however, of the need to define directions for changes in the planning system.

9807

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NEW SYSTEM FOR FINANCING EXPORTS OUTLINED

Warsaw POLITYKA in Polish No 5, 20 Mar 82 Suppl p 18

[Article by Stanislaw Gruzewski: "Paying Our Own Way"]

[Text] The Sejm of the Polish People's Republic, at its plenary session on 26 February 1982, passed a package of bills concerning economic reform, including a bill concerning authorization to conduct foreign trade. This bill, together with the principles of operation of state enterprises in 1982 as specified in the resolution of the Council of Ministers of November 1981, constitutes the basic framework for the functioning of foreign trade under the conditions of [economic] reform.

Foreign Trade Vs. Industry

The process of obtaining authorization by industrial enterprises to conduct direct operations in the field of foreign trade has been uniformly regulated. In the past, these matters produced the greatest number of controversies between industry and foreign trade. A substantial number of industrial enterprises which were operated chiefly for the benefit of exports were unable, despite persistent efforts, to obtain licenses to conduct such operations. This happened because there were no precise criteria which would have to be satisfied before a license-seeking enterprise would be given such authorization. As a result, the granting of authorization was regarded as a favor obtained from the Minister of Foreign Trade rather than granting of authorization which was rightly due to a given enterprise on account of the latter's achievement record in exports. At present, this situation is changing radically. In conformity with the principles accepted in the above-cited bill, the authority to conduct direct operations in the field of foreign trade can be obtained by:

- enterprises of socialized economy;
- legal persons which are not units of the socialized economy, and physical persons if they perform, on the basis of proper authorization, functions consisting in production, service, or trade;
- social organizations which conduct economic activity.

The license which is granted, altered, and revoked if necessary, by the Minister of Foreign Trade, can pertain to:

- exporting or importing specified goods and services without any restrictions,
- conducting trade and service operations in specified markets or else entering into selected contracts.

A legal or physical person seeking to obtain a license should prove that it meets the following conditions:

- 1) has attained at least 25 percent of the share of direct exports of manufactured goods or produced services in the total value of the sales of its own production, or else it has reached the absolute value of exports exceeding 1 billion zlotys annually (while the latter value is still subject to appropriate correction in the event of a modification in the rate of exchange of the zloty vs. foreign currencies);
- 2) is able to provide regular cadre, organizational, and technical services to exports or imports of goods and services which are specified in the license. At the same time, requirements binding employees of foreign trade enterprises are applicable to legal persons with regard to personnel qualifications.

The first condition can be substantially modified in justifiable cases, when a license-seeking enterprise is unable to meet it on account of the type of exports. This concerns, above all, these enterprises which are engaged in the implementation of industrial co-production with foreign contracting parties, or whose exports are based on materials entrusted to them by foreign partners, and, finally, enterprises whose operations are restricted to exporting scientific and technical know-how. The modification of the criterion regarding these enterprises is in and of itself justifiable, since precisely this type of export is one of the most difficult and, at the same time, the most desirable from the viewpoint of the interests of our national economy as a whole.

Partner To Be Selected

Taking all these conditions into consideration, we can make an assertion that they are relatively liberal, and that in our entire processing industry we can find at least a score or more enterprises which are able to satisfy the above-mentioned criteria. I purposefully mentioned here processing industry enterprises, since only these can obtain such authorization. On the other hand, enterprises engaged in the production of raw materials, fuels, electric energy, and agricultural articles, which are of basic importance to our national economy, will not be able to obtain licenses. Exporting and importing of their goods will be done, as heretofore, by specialized foreign trade enterprises. Acceptance of such a solution should be considered justifiable, because only the Headquarters can, unlike individual manufacturers, decide how large these exports will be, while imports are determined by our country's ability to pay for them.

In the event that the sponsoring enterprise meets the above-mentioned requirements, the Minister of Foreign Trade is under an obligation to issue a decision on granting the license within 3 months of the date of the filing of the application. The legal or physical person obtaining the license has the obligation to:

- adhere to the provisions of international agreements which are binding on the Polish People's Republic,

- conduct foreign trade operations in compliance with requirements which result from operative regulations pertaining to imports and exports of goods and from customs, foreign currency, and health regulations.

The Minister of Foreign Trade supervises compliance by individual units with these regulations and with the conditions of their licenses. He also makes a decision to modify or revoke a license in the event of a confirmed infringement of operative regulations by a licensed unit. However, decisions of the Minister of Foreign Trade are not final and can be appealed to the Administrative Court.

Unlicensed processing industry enterprises will conduct export and import operations through the brokerage of foreign trade enterprises of their own choosing, with a similar product line, on conditions which are specified in agreements between the contracting parties. A new feature is the elimination of the trade monopoly which consisted in attaching individual manufacturers to specified foreign trade enterprises. This was simply a kind of shotgun marriage which had to last forever regardless of mutual relationships; regulations then in force did not provide for the possibility of obtaining a divorce. The ones which fared worst in this situation were production enterprises, often treated condescendingly by their partners in foreign trade, as if their work and effort were less important and less responsible than the work and effort of the employees of the foreign trade apparatus. At present, with the breaking of the trade monopoly and with the legal guarantee of the possibility of selecting a partner, this situation will certainly have to change. If they wish to exist and prosper, foreign trade enterprises will be forced to treat a domestic partner on an equal footing with a foreign customer; otherwise, the former will seek another broker. As a consequence, this should produce a relationship between foreign trade and our industry which will be based on authentic partnership and full equality of rights. This will have a positive influence on exports of products of processing industry in general, and to countries of the second payments area [capitalist] in particular.

Financing of Imports

Another important area which has been regulated in a new manner is the financing of imports. The basic source of funds for the financing of imports from countries of the second payments area are deductions from foreign-currency income from exports. The basis for determining the amount of the deduction rate is the 1980 ratio of the value of supply and co-production imports to the value of exports in convertible foreign exchange, corrected by a factor of 0.7. The maximum rate, in principle, cannot exceed 50 percent of the foreign-exchange

revenue from exports. In exceptional cases, the rate of deduction may be increased in such a way as to assure a given enterprise and, if necessary, to its subcontractors, the possibility of purchasing needed materials, components, and spare parts from imports, which are needed for the implementation of exports. The Minister of Foreign Trade sets the deduction rate individually for enterprises licensed to conduct foreign trade operations and for enterprises implementing free foreign-exchange exports in an amount exceeding 50 million foreign-exchange zlotys; in all other cases, the deduction rate is set for a group of enterprises belonging to the same branch [of industry]. In the latter case, the corresponding proposals are presented to the Minister of Foreign Trade by interested industrial enterprises jointly with the foreign trade enterprise which cooperates with them.

After the rate of foreign-exchange deduction has been set, an enterprise opens a foreign-currency account with the Commercial Bank in an exchangeable currency specified by the owner of the account. The owner of the account is the sole disposer of foreign-currency funds accumulating in the bank account. He also has the right to transfer these funds to subcontractors who cooperate with him in the implementation of exports, since the latter are dependent on their partner with regard to foreign currency, unless they have direct exports and, consequently, their own deductions. In order to ensure the continuity of the production process, until income from exports has been received, an enterprise has the right to negotiate with the Bank Handlowy [Commercial Bank] advance credit for imports, which it will then repay from deductions. Credit with the Bank Handlowy may be negotiated not only to finance the current needs of an enterprise but also imports which finance short-term investments. However, it has to be repaid from export income within a time not exceeding 12 months. In view of generally known problems with payments, the Bank Handlowy is not always able to tender credit assistance to enterprises which need it. With this in mind, a provision has been made for the possibility of seeking foreign credits by interested enterprises, with the permission of the authorities. This, obviously, can occur only in exceptional cases; the consent of the Minister of Finance is required for negotiating credit with a foreign bank, while the consent of the Minister of Foreign Trade is required for negotiating credit for transactions with a foreign contracting party.

In this connection, it is worth noting that the creation of even a limited possibility of utilizing foreign credits is an answer to long-standing demands, particularly of these manufacturers who enjoy an established reputation with their foreign partners and for whom such a decision opens up completely new possibilities in the development of international cooperation and in the intensification of exports.

Basic Turnaround

All that has been said above applies to enterprises which implement exports to the second payments area. However, a question arises: what should be done by those manufacturers who have no such exports or have relatively small exports and who must import all kinds of raw materials, other materials, and even components, from countries of the second payments area?

For the time being, nothing has been devised except the retention of the principle of allotment of foreign-currency funds from a central pool. A similar method will be used to finance purchases of raw materials and other materials which are of basic importance to our national economy, and to finance imports for central investment projects.

The new system of financing of imports, whose general outline is given here, signifies a basic turnaround with regard to the situation which prevailed in our economy, properly speaking, from the end of World War II to the very end of 1981, and whose negative and even painful effects are felt today not only by our entire national economy but by each individual citizen. The main evil of the distribution system consisted in the fact that these most valuable and, by the same token, the most difficult to obtain, funds were distributed free of charge. And yet everybody knows that money, easily come by is not respected. This thesis was confirmed by the practices prevalent in the 1970s, when foreign exchange was frittered away while we completely lost any sense of reality in spending the former. We regarded favorably those directors and ministers who were able, by well-known methods, to extract the greatest amount of foreign exchange from the state treasury and to spend it as quickly as possible. And so, we bought everything, both necessary and unnecessary things, while making the functioning of our entire economy seriously dependent on capitalist imports. This is seen best today, when the lack of foreign exchange funds for imports has become the chief cause of a decline in industrial production which has not been recorded in any civilized country [except ours] in postwar history. A departure from the distribution system and a change-over to financing of imports from foreign-exchange deductions from income produced by exports are the prerequisites for a gradual lessening of the dependence of our industry on capitalist imports. First, it will become clear to all our manufacturers that, in order to import, it is necessary to export and to where one imports from. Second, that it is necessary to manage foreign-exchange import funds economically and sensibly, because we ourselves have to produce them. The ease of obtaining import funds in the 1970s accounted for the fact that the so-called attempts at economical financing of imports, undertaken at the very end of the decade, did not bring any significant results. The ineffectiveness of that policy is evident everywhere today. This state of things cannot be tolerated during the current year. Enterprises must conduct, in their own areas, a general survey of all that is imported today, and initiate authentic and not feigned actions to limit their purchases in capitalist countries. This is a sine qua non condition for maintaining the continuity of production in the next few years.

In addition to organizational matters and the principles of financing of imports, the following problems have also been regulated in the new legal acts: export and import permits, customs duties, and the system of accounting between suppliers and recipients of export goods. However, they do not constitute any substantial changes in relation to the situation before 1 January 1982 and, for this reason, they are not discussed in detail.

9577

CSO: 2600/470

MINISTER INTERVIEWED ON 'LIMPING' PRICE POLICY

Warsaw TRYBUNA LUDU in Polish 1 Mar 82 p 2

[Interview with the minister of price affairs by Ryszard Bilski; date and place not specified]

[Text] [Question] What were the circumstances for creating an Office of the Minister for Price Affairs? Today prices and price policy are becoming a particularly important element in socioeconomic policy. It is an element acquiring more and more importance in an economy that is beginning to respect economic laws. First of all, I would like to turn my attention on the stimulating functions of prices. The creation of the position of a minister for price affairs is really an expression of how much these price matters are valued.

How will these tasks be implemented? Can you provide several organizational particulars...

[Answer] Actually, from the name alone—State Price Commission—have sprung a portion of external factors, various organizations and a large role played by consultations, but things did not work out that way in practice.

No one bothered about consultations or councils.

Within the framework of the Office of Price Affairs, which will also assume the present functions of the PKC [State Price Commission], a scientific council—a consultative agency—will be created. This council, for example, will be consulted with regard to the most important price change proposals.

[Question] On what problems will the Office of Price Affairs center its attention?

[Answer] It will focus on systems and, of course, systematic research on contractual prices, their formative trends and the level of these prices with regard to global tendencies.

I will fight against monopolies and at the same time strive for the creation of conditions that will generate and develop competition among producers and, most of all, among commercial enterprises. Competition—to be brief as possible—should bring prices down.

[Question] In reviewing price calculations, the enormous increase in material costs attracts one's attention. In so far as other price components are researched and debated, no one generally questions material costs. How can we be sure that they are correct?

[Answer] Certainly they are in agreement with the level of world prices. Prices of materials are based on a foreign-exchange factor operative in the past year (50 zlotys per dollar). The present exchange rate amounts to 80 zlotys. It is higher than the actual rate and is proexport in nature.

The big jump in material costs stems from the fact that until last year material costs were very low. In seeking extensive trade, which became the basic measure in assessing enterprises' activities, it was necessary to "load up" production with a lot of materials that were cheap. For example, the building materials industry in the past year produced at the 1974 level, but the construction industry—as a whole—found itself at the 1967 level. The consumption of materials was unproportionally greater than the increase in the material results of the construction industry.

[Question] What kind of results emerges from the controls carried out after implementation of the new principles in price policy?

[Answer] I continue to receive letters and signals from people. Of course, a great majority of this correspondence concerns industrial goods; moreover, there are such items as overestimation of prices, entreaties about the reason for controls, about whether it is advisable to buy a given product or whether one might wait, since soon there may be competition and prices should go down. For example, very high prices of men's linen have caused a furor. How did this come about? This is simply the work of a "monopoly-cartel conspiracy." Indeed, the cost of cotton was established on the basis of the most modern plant in Poland, which operates at the highest cost-effectiveness level. In this way, all the remaining producers are guaranteed profits.

[Question] I don't understand—the most modern plant and the highest costs. Why is that?

[Answer] Very high amortization makes costs climb high. In construction plants and, in recent years, in light industry plants, agreements have been negotiated on the principles of the so-called self-payment system, which lasts from 3 to 5 years. This is absurd, since that plant will operate from 10 to 20 years.

[Question] Has the theoretical figure of family budgets been confirmed in practice?

[Answer] Here is a characteristic excerpt from the kind of letters I've been receiving. A family of four has a monthly compensation totaling 14,000 zlotys, with a daily itemized budget of all expenses, beginning 1 February of this year. On 20 February, the 14,000 was used up. Expenses for meat are the major item; this family purchased the highest quality cured and other meats.

[Question] Since the quality of these lower quality meats leaves much to be desired—only the price will "improve."

[Answer] I wouldn't say so. These meats are not bad. It is only because of the drop in demand that they are kept for a long time and lose their taste and appearance. People who are accustomed to buying high-quality cured meats at low prices are going to continue buying just these kinds of meat despite increased prices. This leads to some very sad consequences.

[Question] Justified price reactions have become or are becoming a fact. A price policy without a corresponding wage policy, however, will be constantly hobbled. How long will this last?

[Answer] Its duration will be similar to the PKC decision. Soon a brochure will appear that will be helpful in discussions on wages. The Ministry of Labor, Wages and Social Affairs is preparing it. The entire meaning of indispensable changes in wage policy boils down to making wages relevant to labor.

9866

CSO: 2600/378

DIFFICULTIES WITH INTRODUCING ECONOMIC REFORM IN FOREIGN TRADE NOTED

Warsaw ZYCIE GOSPODARCZE in Polish No 10, 28 Mar 82 p 10

[Article by Jozef Najdek: "Problems in Foreign Trade"]

[Text] Conditions for introducing economic reform in the sphere of foreign trade are particularly difficult, not just because of the acute shortage of foreign exchange, further intensified by economic repression. The causes of this may also be found in the structure of the processing industry, its low efficiency, weakened in recent years by the decline in the utilization of manufacturing capacity due to lack of raw materials and other materials. This was reflected in export, the verifier of management efficiency, and it immediately became apparent when new producer prices and the right to apply contract prices went into effect.

That, which quite recently, had been effective, that, which was often the object of pride in the enterprise, suddenly was put on the boundary of profitability, or actually became ineffective.

Exchange Rate

And this had to produce shock, and under its effect, emotional assessments: this was a bad reform, since what it led to was that "profitable" export suddenly lost this value.

It was not realized that profitability was often ostensible, based on distorted prices of raw materials and other materials, unrelated to the world market. Instead of looking for the source for this condition, to consider what should be done to reduce production costs and increase foreign exchange prices, for it was hard at the time to talk about structural transformations, the only solution seen was that of increasing the "foreign exchange converter factors". This would make exports profitable and would reduce the pressure on imports. Now, admittedly, the wave of emotion passed, but the belief persisted that if the exchange rate for foreign currency were to increase again, the interest in exports would grow.

Where does the reserve toward these types of proposals and pressures stem from? It does not stem from ill will or bureaucratic indolence; it springs from assumptions of reform and how it is introduced.

It is necessary, on the one hand, to establish a parametric system of prices on basic means of production, i.e., to ensure that official prices will be in conformity with prices paid or obtained in free foreign-exchange turnovers in foreign trade, which is obligatory under the law on prices, and on the other hand to ensure that in the processing sphere, incentives for growth of exports are present. If these conditions were to be fulfilled, then premises would exist for conducting an open economy, of a pro-export orientation, and enterprises would make use of the principle of autonomy and self-financing in trade relations with foreign countries also. But can this be introduced under conditions of material and foreign exchange difficulties, low labor productivity, application of contract prices when there is total lack of internal balance?

Let us consider, first of all, whether it is possible, by raising the exchange rate, to achieve the previously described assumptions.

If this operation were to be conducted in an autonomous way, without correcting the official prices on basic means of production, then the same ostensible results, the fake profitability, would be achieved as before, which would make it necessary to reactivate the export tax and the raw materials charges and to control the profitability of export by means of foreign-exchange calculations. (This is tantamount to retreat from reform/ [in boldface].

Reform foresees the possibility of raising the exchange rates, but if the change is of a significant dimension, it makes it necessary to revise the official prices on raw materials and other materials, and these entail an increase in prices in processing and official prices on means of consumption. The latter must, to a greater or lesser degree, be compensated by increases in wages. As a consequence, new producer prices and compensations affect the growth of production costs. And because materials costs and wages determine manufacturing costs, export will again find itself on the boundary of profitability, or will actually be unprofitable. Then what? Repeat the operation? Cause and effect come into play here, do they not?

In order to achieve the envisaged goals by this means, there would be to be another deep devaluation of the zloty. And what about the social effects of this?

The advocates of a radical increase in exchange rates do not consider the fact that the sensitivity of the processing industry to changes in the exchange rate is weak, since the share of material costs in this industry is high. Changes in the exchange rate then would have a stronger effect if this production were characterized by low energy- and material-intensiveness.

If, for objective reasons, it is not possible to simultaneously apply parametric prices and an exchange rate which would ensure 80 percent profitable exports, then in the interim period efforts must be made to introduce this system. But where to begin?

I am in favor of having this process begin with the shaping of a system of parametric prices on basic means of production. This will make it possible to quickly find and answer to the question: what in processing is effective and what is not? And then, to formulate a program of action: what should be

developed, what should be reformed, and what should be abandoned. And, during this period, /to motivate an increase in exports by a system of foreign exchange allowances, since imports determine production in most enterprises./ [in boldface].

Prices

It might appear that we already have a parametric system of prices on basic raw materials and other materials. Producer-price reform was supposed to ensure this. But prices on basic means of production were fixed at an exchange rate of 50 zlotys to \$1 US, taking as a base mainly the foreign exchange rates from 1980. After exchange rates were raised to 80 zlotys, and after many changes occurred on the world market, official prices again became somewhat distorted. Their deviations from prices paid or obtained in foreign trade are now not as formidable as they were before reform. But not all of them must be corrected. And if they are, not always upwards. And such cases do occur.

The prices of many raw materials have dropped on the world market. And where official prices have to be increased, this does not always have to be reflected in the retail prices of goods for which these raw materials are consumed. /The increase in retail prices can be avoided by correcting the turnover tax rate, particularly where goods are involved whose retail prices, for social reasons, should not be increased./ [in boldface]. However, increases in official prices of raw materials and other materials which affect the market are unavoidable. But such corrections are essential. They can only be spread out over a period of time. Otherwise, producer prices in Poland will again move away from world prices. And the effects of this are known.

In introducing reform we must constantly keep in mind the principle that foreign trade prices, or prices close to them, will exert an effect on producers. Not only in imports and exports, but also in settlement of accounts for deliveries of domestic raw materials and other materials. /The lower the differences between prices in foreign trade and the prices in settlement of domestic accounts and the narrower their range and scale, the more advanced the process of introducing reform will be./ [in boldface].

It is sometimes suggested that in solutions pertaining to reform it is essential that the producer obtain from the exporter the same price that he obtains in domestic sales. This is the wrong interpretation. It is essential, however, that the domestic purchaser pay the supplier a price that is approximate to that which he obtains in export. Obviously, on condition that the qualitative parameters of the goods supplied to the domestic purchaser are the same as those in the case of export. The principle of price-formation can be made out of this, as the Hungarians did. But a number of conditions would have to be fulfilled, and especially, a state of close internal and external balance. In view of this, this principle cannot be established, but it is possible only to strive to shape the conditions which would permit this principle to be applied.

Current legal regulations take into account the realities of today's conditions, and consider the necessity of applying interim solutions. The equalization

account fulfills such a function. It was created to amortize the small price fluctuations in foreign trade, to not "carry them over" into official prices on basic means of production and consumption, and thus not to constantly correct these prices, but only when the deviation exceeds 10 percent, or once a year. To give the official prices a certain stability but not to move them away from the world market--that was the sense of this solution. The range and scale of payments out of and into the equalization account will be an indicator of the degree of introducing reform.

The settlement of accounts for basic means of production and consumption in foreign trade does not always have to be done on the basis of official prices. The law on prices makes it possible to apply contract prices also in relation to goods on which official prices are applied if they are made for a specific purchaser and according to the technical requirements which he establishes (article 11, paragraph 2). This applies in the same degree to domestic deliveries as it does in foreign trade. And perhaps even more to exports and imports? Many contracts, especially export, contain such requirements, usually causing additional costs, but making it possible to obtain a higher foreign-exchange price, which creates a legal basis for excluding these deliveries from the actions of official prices and accounting for them on the basis of contract prices. Then the supplier receives payment calculated in transaction prices, reduced by the agreed-upon profit margin.

Incentive

The application of parametric prices on basic raw materials and other materials has put the processing industry in a difficult situation. It has raised the "cross-bar" of effectiveness in import very high for this industry. Domestic purchasers are easy to deal with; they do not negotiate a long time on prices and accept the buyer's conditions. The goods do not come up against a sales barrier, and competition does not force the application of warranted prices. Foreign buyers are not interested in the fact that prices of raw materials in Poland have increased. /Product features or dealer reliability may be points of argument in price negotiations, but not costs./ [in boldface].

It is not surprising, therefore, that in the processing industry a decline in interest in exports is observed, which is not without effect on the economy's imports capacity. Since it is much easier to obtain a profit on sales implemented in the country, and enterprises can over a rather broad range apply contract prices, the foreign currency exchange rate must be regarded as too weak an instrument to make it useful in counteracting the drop in exports.

It may be more effective to use other, legally provided, regulations and instruments to force pro-effective operation of enterprises.

Under current conditions, it is not profit in export that can stimulate its development, but availability of foreign exchange and domestic material supplies. These functions are to be fulfilled by the system of foreign exchange allowances and the treatment of export as one of the operational programs. But even these solutions are not free from problems.

The desire is to make of the foreign exchange allowances a mechanism which operates actively and compels export production. But this is possible only when foreign exchange receipts will serve to satisfy the broadly perceived production needs of the enterprise, and not just the purposes of export. Thus, they would have to obtain high allowances. And this can be achieved only when the range of central purchases is reduced, in this way forcing the enterprises to finance them out of their own foreign exchange means. Exporters would have to assume the obligation of ensuring foreign exchange means not only for the direct sub-suppliers, but also, in multi-level coproduction, for the needs of the individual phases of production. Legally this is permissible; an enterprise can transfer its right to obtain foreign exchange to other units, cooperating with it in export activities. But where several levels of coproduction exist, this is technically unfeasible. To whom, by whom, and in what amount, are the means to be transferred? Furthermore, central purchases cannot be reduced excessively.

Covering not just raw materials but also a goodly amount of materials that can be broadly applied by central purchases, means that their allocation must be controlled, so that as they go through the intermediate phases they reach those enterprises which implement export. From this standpoint, putting export on the list of operational programs is particularly important.

9295

CSO: 2600/483

WESTERN VIEW OF POLISH INDEBTEDNESS REVIEWED

Warsaw POLITYKA in Polish No 5, 20 Mar 82 Suppl p 19

[Article by Jan Gluchowski, Dr Habilitatus, Professor of Financial Law at the University of Torun: "The Polish Debt As Seen From the West"]

[Text] As a result of the suspension of talks on refinancing the problem of our indebtedness has come to an impasse. The Reagan government's payment of 71.3 million dollars in interest due to the American banks did not change the situation, although it has confirmed the belief that the most drastic solution--declaring a moratorium--would be disadvantageous to all concerned.

The review of pre-December 1981 articles and commentaries offered below presents the problem of Poland's indebtedness from the point of view of her creditors' interests.

Loan operation are always surrounded by an aura of secrecy. Neither debtors are interested in disclosing their identity nor creditors in revealing the magnitude of provided funds. In international lending, however, it is difficult to preserve total secrecy. In consequence, in recent years one could read about this topic in foreign periodicals both interviews with Poland's minister of finance, director of the Commercial Bank [Bank Handlowy] and articles and commentaries by western specialists concerned with this problem. This text contains a survey of such articles and commentaries from the 12-month period December 1980 through November 1981.

Western countries willingly satisfied Poland's hunger for imports. Western industries were interested in gaining access to new markets. Exports of their products were facilitated, on the one hand, by credits granted to CEMA countries by banks and governments and on the other hand, by a system of guarantees resulting in particular governments taking over the risks involved in exporting.

The CEMA countries enjoyed a reputation of reliable debtors. Loans from commercial western banks played a major part in their indebtedness. As estimated by the Societe de Banque Suisse, the net total of these loans was 40.9 billion dollars by the end of 1979. In late 1979 Western experts estimated the East's total debt to be 65 billion dollars.

The FINANCIAL TIMES in December 1981 carried a news item that constituted a denial of western financial community's suppositions that Poland would request a rescheduling of repayment of loans installments. Minister of Finance Marina Krzak affirmed: "We have not approached any bank about repayment rescheduling and we do not intend to do so." At the same time he added that long-term credits would enable Poland to recycle loan operations on which an agreement had been made earlier, but the use of the moratorium technique did not come into play. In spite of this assessment, the same edition of the FINANCIAL TIMES (4 December) cited an opinion western bankers according to which credit repayment should be rescheduled because it would be a better way out than providing Poland with new resources to enable her to meet the obligations related with debt servicing.

The NEUE ZUERCHER ZEITUNG of 18-19 January 1981 asserted in an article that economic chaos continued in Poland, while other CEMA countries had developed their 5-year plans, Poland's plan developed in March 1980 lost its relevance. Poles were not meeting their commercial delivery obligations towards their socialist trade partners. It was estimated that in 1981 Poland would need another loan of approximately 9 billion dollars. Coal exports decreased, and raw materials had to be imported to keep factories from stoppages.

Experts concluded that a moratorium would be the worst solution. The CEMA member countries would be first to oppose its declaration, because it would be detrimental to the interests of all the socialist states. Their credibility as debtors would be wiped out once for all. It would be murderous to their creditors as well.

In order to reduce the debt, Poland froze 49 huge investment projects. There was an increase in the amount of idle machinery, valued at 50 billion dollars. One-half of that had been imported from the West. It was pointed out that subsidies were an enormous burden on the country. The state subsidized not only the frozen prices of foodstuffs but also many imported goods. NEUE ZUERCHER ZEITUNG evaluated those subsidies to total approximately 30 billion dollars.

Completion of many major investment projects was halted or restricted. Construction of an artificial fertilizer plant in Police, in partnership with the French firm of Creusot-Loire, was delayed. There was a similar situation concerning a factory in Kwidzyn and the Massey-Ferguson license plant in Ursus. The freeze would reach its greatest proportion at the second stage of the Katowice Steel Works, to complete which credits had been incurred from the Soviet Union and in the West.

The Canadian Massey Ferguson company exemplifies the defects in our operations abroad. Massey Ferguson is a weak trading partner, for some time now in financial difficulties and has recently been on the verge of bankruptcy. With its headquarters in Canada, the company owns production plants in many countries on several continents. In January 1981, Massey Ferguson had a 1.5 billion dollar debt, and its 1980 financial balance sheet was closed with 225.3 million dollars in losses with total turnover of 3.132 billion. The

company's debt is totally uninsured, which would put its creditors in a very difficult situation. The collapse of Massey Ferguson would carry the threat of a cascading damage to the economic foundations of many industrial sectors. The greatest danger is facing the Canadian Imperial Bank of Commerce (CIBC), the company's major creditor.

Deliberations in London

Despite Minister Krzak's statement, the dominating opinion in early 1981 in the West held that Poland would have to start negotiations on the repayment of its foreign debt. In this connection the FINANCIAL TIMES of 6 March carried an estimated compilation of Polish loan repayment.

After advance consultations, representatives of 23 creditor banks began a session on 31 March in London to seek a formula for deferred repayment of 3.1 billion dollars of international bank credits. In the course of these talks, American bankers took a very tough position. The problem was a difficult one, unprecedented in the 20th-century history of international financing.

1981 Loan Repayment Program (in billions of dollars)

<u>Needs</u>		<u>Manner of Coverage</u>	
Deficit in balance of current items	3.4	New export credits	3.4
including			
net interest on debt	2.6	Change in payment	
commercial debt	0.8	conditions of bank credits	3.1
Loan installment due	<u>7.5</u>	Change in payment condi-	
		tions of government debts	<u>4.4</u>
	10.9		10.9

At no time had it been necessary to make a decision of such importance in so short a time. In the case of Turkey, it took 20 months of hard bargaining and in late 1979 repayment of 3 billion dollars was rescheduled. It took a full year for Brazil to have a loan of 450 million dollars rescheduled. Banks had never been requested to defer independent loans unless proper guarantees were provided by the International Monetary Fund.

Poland, however, is not even a member of that organization (we applied for membership in November 1981). Moreover, there appeared in the financial analyses of creditor countries another important assertion which Peter Montagnon formulated as follows: "Never before has a country, standing so close to the brink of financial ruin, been at the same time so imperiled..." Add, finally, that Turkey had 240 creditor banks while Poland had 460!

Bankers who estimated our country's exceptionally difficult eco-financial situation with pragmatism, began to express outright doubt in the success

of negotiations of any kind. One of them stated openly in the Financial Times of March 1981: "They got money from us and they cannot pay it back. Either we agree to wait, or write it off as a loss. With sums of this size, nobody wants to lose. We have to wait and we have no other choice."

At the London meeting, the Poles reported that the Soviet government had granted us assistance amounting to 1.1 billion dollars, including 600 million dollars in the form of interest-free loans without definite repayment deadlines. In an article carried by the March issue of the ECONOMIST speculations were offered that a 400 million dollar new credit being arranged for Hungary was also a hidden loan to Poland. However, those bankers who had a more intimate involvement with this affair concluded that the Hungarians were acting on their own behalf, desiring to obtain Western aid on more favorable terms before interest rates for other CEMA countries would be raised as a result of Poland's indebtedness and repayment difficulties.

It was also established that the GDR and Czechoslovakia requested 175 million dollars each in loans from the Soviet Union. That assistance was, however, offered to them at a higher interest rate than that in the Western European money market. This move was intended to take the two countries to the Euro-market while permitting the Soviet Union greater flexibility in the event assistance to Poland was indispensable.

Representatives of 460 banks participated in the talks with Poland. However, none of them was in too much of a hurry to offer itself as a candidate. The largest creditor institutions, such as the Bank of America, Dresdener Bank, Lloyds Bank and Manufacturers Hannover Trust could not, out of necessity, evade that obligation.

Subject to negotiation in the London talks were the following amounts of our debt per country:

FRG--4.5 billion
U.S.--3 billion
France--2.5 billion
Great Britain--2 billion
Austria--1.7 billion.

Understanding in Paris and a Meeting in Frankfurt

A [protocol of] understanding was signed on 27 April 1981 in Paris. Based on its provisions, repayment deadlines for the 2.5 billion dollars in loans guaranteed by the Eastern states were rescheduled. The following principles were adopted:

--90 percent of all Western government credit granted Poland falling due between May 1 and December 31 is covered by the rescheduling. This applies to interest and principal alike.

--the West grants a 4-year grace period with debt repayment halted during that time.

--repayment will begin in 1986 to last 4 years

The sum of 2.5 billion dollars which was rescheduled for repayment constitutes Poland's debt to the 15 Western creditor states. Nevertheless, 1.9 billion dollars were remaining to be repaid in 1981.

In mid-May, a working group of 19 banks held a meeting in Frankfurt and proposed imposition of stricter terms on Poland. Besides variable-interest paper and other circulating financial instruments that remained in the hands of the corporations locating their capital in this venture, that proposal included so-called guaranteed drafts as well.

It was asserted in the banking community that one of the protocol clauses provided for the inclusion of loans originally granted for the completion of specified investment projects. The City Corporation and Chase Manhattan banks protested a solution of this sort. Their position was that, just as in the past, investment credits should be given a priority. Among the credit sums involved was the amount granted by Chase Manhattan for investment in copper industry.

The Dresdener Bank which had arranged for the Frankfurt meeting of the working group sent the decision document of the 19 banks to the entire remainder of 660 creditors. In turn, those banks held their meetings in individual countries. Western bankers revealed that those documents probably included a clause on the 'force majeure' that provided for invalidation of the understanding in the event of Poland's loss of independence.

The Western bankers do not feel quite in their element in their relations with Poland because they have limited possibilities to influence it politically or economically. This is why they see opportunities to exert the strongest pressure and gain the most favorable results in joint action.

General attention was drawn to a communication, made public on 20 February 1981, on the signing of a debt rescheduling agreement by the Soviet Union and Poland. The agreement applied to an amount of 1 billion rubles, dating back to 1976, and to 600 million dollars of October 1980 which were both rescheduled for repayment by the end of 1985.

It was recognized that the Soviet decision to grant a hard currency loan to Poland constituted a major commitment of the Soviet authorities to the finding of a solution to our economic problems to achieve political stabilization in a neighbor of such strategic importance. In the FINANCIAL TIMES we have cited here, David Satter expressed his opinion that the loan would present no major problem to the Soviet Union, as it possesses raw materials that are much sought after and expensive in the West.

Satter reported that in the early 1980 the Soviet Union had assets of 7.1 billion dollars in Western banks while the Soviet total hard currency debt was estimated at 5 to 6 billion dollars. Attention was likewise drawn to the decreasing gold sales. By December 1980, the Soviet Union sold only 50 tons of that metal, compared with 230 tons in 1979 and 400 tons in 1978.

In September 1981, many Western publications pointed out considerable similarities in the situations in Poland and Rumania. Rumania's debt was 9.2 billion by the end of 1980 and was expected to rise to 12.9 billion dollars by the end of December 1981. Because of this increment, already in September 1981 the debt index was \$600 per capita in Rumania while in Poland it was \$770. The Rumanian payments deficit was 2.4 billion dollars at the end of 1980.

A commentary of 17 August 1981 by Tom Hangeghan and Stephen Jukes from the Reuters news agency included a statement according to which nervous Western bankers believed Rumania could be the next Eastern Bloc country to request rescheduling while the talks on the rescheduling of Poland's debt were dragging on.

Analyzing the causes of the Polish debt, Anthony Robinson asserted that the roots of the problems facing Poland and to a lesser or greater degree other socialist European countries should be sought in the Czechoslovak events of 1968. At that time, reforms were halted. In Poland and Czechoslovakia, reforms were recognized to be too risky. Instead, a policy of eco-political detente were opted for. It was assumed that imports of Western technology will permit painless modernization. That policy peaked in Poland when in 1980 Gierk responded to reform demands with his proposal of economic prosperity. A decade later, that policy came down in ruins.

Among the analytical commentaries on our foreign debt, a study by Richard Portes from the University of London won exceptional popularity. His appraisal is contained mostly in the article entitled "Rescheduling Polish Debt" and in a report submitted to the Royal Institute for International Affairs in London. Extensive excerpts from this reports were carried by [POLITYKA] Export-Import supplement in May and June 1981.

Bankers Are Tough--Particularly Americans

The August edition of the British financial monthly EUROMONEY reported on the contents of a memorandum presented by the Western bankers to our country's representatives. Commercial banks that are Poland's creditors encounter difficulties in reaching agreement on a common stand largely because they perfectly realize that any agreement of this kind will constitute a precedent not only for further rescheduling of the Polish debt in the next few years but also for other countries. Even if the Western bankers do not believe that their money will be returned, everyone should know at least that they took a hardline position.

This consideration was the most important for the American bankers who consistently kept a harder line than did the banks of other countries throughout the entire series of complicated talks. The American banks defined their position as "more commercial than based on holding by the hand." The European banks were under a greater pressure of the political circumstances. In any event, the role which the commercial bankers intend to play has inevitable political implications because Poland is a member of the bloc of socialist countries.

during the Frankfurt meeting arranged by the Dresdener Bank on 20 May 1981, the banks from the United States were officially represented by the Bank of America. There are highly differing reports on the extent to which the American bankers accepted the proposals presented at that meeting.

A substantial number of the European bankers left with the impression that those proposals were approved. However, according to the information of one of the bankers, several weeks later, at a meeting of an American coordinating committee in New York, those proposals were 'absolutely rejected in their entirety.' Observers referred to a coordinated rejection of those proposals by four or five New York banks whose representatives carried the vote on a resolution depriving the Bank of America of its leadership position. As a result of the vote, those banks entrusted the chairmanship to Frederic Schwartz, first vice-president of the Bankers Trust who was labeled as a 'hardliner.' At the end of the session, the banks unanimously decided to support a one-time postponement of the deadlines rather than their rescheduling, shifting them until the time when Poland would provide additional data on its plan to put the country's economy on its feet.

The bankers demand that all economic information required by the banks be supplied and a representative competent to confirm the accuracy of such information be designated.

The bankers want to know the exact amount of the loans granted by the Soviet Union to Poland. This condition was formulated very subtly so that the Soviet Union would not be mentioned directly. It was suggested that Poland could furnish that information indirectly, reporting the sums borrowed without naming the creditor.

Yet another condition was that Poland appoint as soon as possible a consultative working group fully subordinated to the deputy premier for economic affairs which would follow developments and supply economic information on an ongoing basis. As soon as the portion of the understanding concerning the rescheduling becomes effective, Poland will be required to submit quarterly progress reports, to be discussed every six months in sessions of a group composed of Western representatives and members of a Polish consultative group.

There prevailed scepticism on Poland's ability to present reliable data. One banker affirmed: 'Poland is unable to submit reliable information because the assumptions on which such data would be based are changing from day to day.'

Bankers have their grounds to entertain doubts, Sarah Martin says in the article on the 'Secrets of the Polish Memorandum.' Last May, the Polish Ministry of Finance submitted to the Western banks a document containing forecasts on the trade balance and balance of payments. That document, it is claimed, did not generate sufficient trust.

That episode, in Sarah Martin's opinion, has taught the Western bankers that, should they want to insist on consultations with the Poles, such

consultations better be conducted with persons who can deliver what they promise. Hence the preliminary understanding stipulates that the Polish team charged with supplying economic information be fully subordinated to a vice-premier responsible for the economic affairs rather than to the minister of finance to the Bank Handlowy. In other words, the banks want to deal with a serious politician rather than with a group of technocrats.

In an overall evaluation of the Polish debt in the article "Poland in the Pincers of Debt," the NEUE ZUERCHER ZEITUNG declares that the 'casus Poland' must be treated as a highly unusual one because of three reasons:

The sums involved are unprecedented. There have been several operations of debt consolidation internationally in the postwar period. None of them, however, involved such a gigantic sum.

It is the first case of a European Eastern bloc country finding itself near financial collapse.

Poland's debt has also a political dimension, not only economic aspects.

What are the interests of the West in this situation? muses the Swiss newspaper. Its response is that the essential question is to what extent the Western states can and should aid a country that is attempting to overcome rigid economic structures and is behaving in a highly unorthodox manner. This aspect of the problem is bound to be of particular importance for the governmental portion of western credits. On the other hand, with regard to bank credits and suppliers' credits (constituting three-fourths of Poland's debt), the commercial interest is overriding.

8795

CSO: 2600/3200

FIRST 2 MONTHS' 1982 ECONOMIC-TRADE SITUATION ASSESSED

Warsaw POLITYKA in Polish No 5, 20 Mar 82 Suppl p 17

[Article by S. G.: "A Difficult Start"]

[Text] The country's economic situation remains unfavorable after the first 2 months of 1982. Despite the various kinds of action undertaken by the authorities, so far the continuing decline of industrial output has not been able to be halted.

Industrial output for this January was 13.6 percent lower than in January 1981. And yet, last year's January was not the best and hence does not represent a proper basis for comparison. Thus, if the level of industrial output in January 1981 is compared with the level achieved in January 1980, it turns out that the decline has been even greater and amounts to as much as 22.1 percent, which in absolute figures amounts to the huge sum of 116 billion zlotys. Against the background of a generally unfavorable economic situation, an exception is the raw materials industry or, more precisely, the extractive industry, whose performance has been generally good since the year began. Thus, in the coal industry, during the first 2 months, miners extracted 30,463,000 tons of coal, or 3.84 million tons more than in the same period last year. Fairly gratifying results are also being achieved by brown coal miners who have not only fulfilled but even overfulfilled their planned targets.

The situation in the power industry is developing correctly, as reflected in the 10th or even lower level of output power supply throughout last February. In practice this meant that no restrictions were imposed on industrial and private power consumption. It is worth noting, however, that the favorable situation in this respect is due to two factors: first is the relatively good--for our conditions--coal supply for electric power plants, which maintained a 10-day inventory as of the end of February, or an inventory one-third higher than in the same period last year. The second factor was the decline in electric power demand of the processing industry owing to the underutilization of production capacities.

Some signs of improvement compared with December of last year are also being observed in the production of such products as cement, synthetic rubber, pulp and paper, aluminum, coke, rolled products and steel pipe.

On the other hand, the situation of the processing industry is alarming. The growing regression is particularly menacing not only to the domestic market but to the currently introduced economic reform. The recently conducted great price operation will come to nothing unless it is followed by an increased supply of manufactured goods. So far, this supply cannot be increased and, what is more, the months-long progressive decline in the output of many highly demanded market products cannot even be halted: many branches of the processing industry are operating at 60-70 percent capacity. This abnormal situation is chiefly due to material and coproduction problems which lately have become a nightmare to Polish industry. These problems have not fallen from the sky and, in the processing industry, they have persisted for many years. But until recently they had been somehow alleviated by ad hoc purchases in the capitalist countries. Now that martial law has been introduced such opportunities have, practically speaking, ceased to exist or at any rate been reduced to a minimum. This has thrown a specially glaring light on the acute dependence of our industry on imports from the capitalist countries, as well as on the scale of the mistakes made by the persons responsible for economic policy in the 1970's. Owing to the underdevelopment of the material and coproduction base in the previous years, at present, lacking the funds for imports from the capitalist countries, we are unable to fully exploit our production capacities. In turn, the continuation of production on its current small scale not only prevents an even minimal satisfaction of the needs of the starved domestic market but steadily increases the cost of production. This is because the fixed costs of the enterprises as well as the high level of the currently paid wages get distributed over a steadily decreasing quantity of products. This leads to still other consequences in foreign trade, where quantitative shortages are at present combined with the extremely grave problem of foreign-exchange effectiveness or, to call a spade a spade, of the absolute unprofitability of the sales of many products which have so far constituted our exports. This gives birth to a vicious cycle from which as yet no exit can be seen.

Certain public figures who have recently been voicing their opinions, especially through the mass media, have already hit upon a solution, namely, reorienting our imports from the capitalist to the socialist countries and developing anti-import production wherever possible. Such comments, to put it mildly, point to unfamiliarity with the specific features of Polish industry, with its virtual vulnerability in depending on the deliveries of various kinds of materials and coproduction components and elements by specialized Western companies. Shipments of this kind simply cannot be supplanted with acquisitions from other companies, from the socialist countries, even if these were to display maximum goodwill and willingness to come to our aid. This may certainly be possible as regards light industry, the manufacturing of cotton or wool fabrics, but it certainly is not feasible as regards the electromachinery industry, in which many plants manufacture products on the basis of licenses purchased in the 1970's and, to retain continuity of production, have to purchase special materials or various kinds of coproduction elements from their licensing partners. This is the reality which has to be borne in mind. I do not mean to say that no attempts should be undertaken to convert our industry to a greater degree than previously to

cooperation with the socialist countries and to activate types of production eliminating economically and technologically unjustified imports. The work in this direction should be continued, and with redoubled energy at that, so long as a sense of proportion is retained, because such actions can produce results only over prolonged periods of time.

The situation of agriculture is beginning to become more favorable. Starting with the fourth quarter of 1981, signs of greater interest by private farmers in cattle and hog raising have been observed, as reflected in the increased demand for piglets and cows and the fodder demand on the free market. This has caused a high, triple increase in piglet prices compared with January of the preceding year, while the prices of cows and heifers have increased by a factor of more than two and one-half in free-market turnover. However, these positive symptoms may prove to be short-lasting in view of the marked decrease in the possibilities for supplying feeds to private farmers from the state's reserves, due to the restriction of grain and feed imports and the poor procurements of grain.

The unfavorable situation in the processing industry has been reflected in foreign trade. Last January our trade turnovers with countries of Payments Area II [capitalist countries] had even collapsed. Imports from these countries fell last January by as much as 42 percent, while exports to them fell by more than 35 percent. This exerted a fundamental effect on the deterioration of material-technical supply to industry as a whole and, as a consequence, it adversely affected the volume of output. Turnovers with the socialist countries, too, leave something to be desired. True enough, they have not collapsed as extensively, but here too a decline in mutual deliveries has been recorded. The situation in foreign trade will markedly affect production processes in industry in the coming months. It will be increasingly more difficult to maintain production continuity not only in many factories but even in some sectors.

1386

CSO: 2600/469

PRINCIPLES FOR BANK CREDITS DISTRIBUTION PUBLISHED

Council of Ministers Law

Warsaw RZECZPOSPOLITA in Polish No 25, 11 Feb 82 p 6

[Resolution No 16 of the Council of Ministers, dated 20 January 1982, concerning the general principles of bank credit distribution]

[Text] Chapter I: General Regulations

Section 1. In distributing credits and supervising their utilization, banks implement state economic policy in accordance with the assumptions of state socio-economic plans and the credits plan.

Section 2.1. Banks distribute credits to units of the socialized and nonsocialized economy as:

- 1) operating credits to finance current economic activity,
- 2) investment credits to finance investment outlays.

2. Banks may distribute foreign-exchange credits for the purposes outlined in section 1, according to principles established in separate regulations.

Section 3. Banks distribute credits to private individuals for housing construction and the repair of buildings and places of residence and for consumer purposes.

Section 4.1. The basis for the distribution of credit is an agreement between the bank and the credit recipient.

2. The agreement may contain provisions making the distribution of credit contingent upon the fulfillment of specific conditions by the credit recipient.

3. The failure of the credit recipient to fulfill the conditions of section 2 authorizes the bank to call for payment of all or part of the credit ahead of schedule.

Section 5. Banks are obliged to differentiate conditions for credit distribution, making the distribution of credit, its amount and the repayment period contingent

upon the price of the economic activity of credit recipients and the effectiveness of utilization of the means of production, as well as on the purpose for which the credits are granted.

Section 6.1. Credits are subject to repayment on time and according to the conditions outlined in credit agreements.

2. Credits not repayed on time become overdue debts.

Section 7. Credits are interest-bearing. The amount of interest is established by separate regulations.

Section 8. Banks have the right to evaluate the economic activity and the financial situation of credit recipients and to supervise the manner in which credits are utilized.

Section 9.1. For the purpose of guaranteeing the return of distributed credit, the bank may demand security from the credit recipient in a manner stipulated in civil law and bill-of-exchange law.

2. A bank may secure a remittance due on a distributed credit with property in the possession of a credit recipient in a manner stipulated in article 10 of the banking law.

Chapter 11: Distribution of Credits to Units of the Socialized Economy

Section 10. Banks distribute the following operating credits to units of the socialized economy, according to the principles of cost effectiveness, for the financing of their current economic activity:

- 1) basic credit designated for the financing of elements of property included in working capital, i.e., reserves and remittances,
- 2) payments credit designated to cover outstanding obligations in the event of temporary payment difficulties,
- 3) other credits in cases stipulated in separate regulations.

Section 11.1. The condition for the distribution of operating credits is the bank's ascertainment that the credit recipient:

- 1) is achieving the financial results to ensure the proper operation and development of the enterprise,
- 2) possesses its own funds in working capital, at least in the amount specified in separate regulations or agreed upon with the bank,
- 3) conducts economic activity in accordance with the general interest and needs of consumers,

- 4) effectively utilizes capital committed toward economic activity,
- 5) abides by the principles of financial discipline.

2. If it is ascertained that the activity of a credit recipient does not fully meet the conditions outlined in section 1, items 3-5, the bank may refuse to distribute operating credits to cover all or part of the needs of a credit recipient, or it may declare repayment of part or all of the distributed credit ahead of schedule.

3. If a credit recipient does not possess his own funds as working capital in the amount required by separate regulations or achieves financial results that do not ensure the proper operation and development of the enterprise, and especially if he suffers losses, the bank may make distribution of credits contingent upon the credit recipient's submission of a program of action that takes into account his financial situation. In the event that the evaluation of the program is negative, the bank may refuse the distribution of credits, or it may call in credit ahead of schedule.

4. A bank may grant payment credit in the event of temporary payment difficulties of the credit recipient for a period of up to 30 days.

5. In the event that payment credit is refused or that payment difficulties continue beyond the period for which payment credit has been granted, the lack [sic] [should be "bank"] may cover the monetary orders of the credit recipient by debiting the overdue debt for a period not longer than 60 days.

Section 12.1. Banks distribute investment credits for financing investment endeavors implemented as central investments and the investments of individual enterprises to units of the socialized economy operating according to principles of cost effectiveness.

2. A bank may make the distribution of credit for the financing of a given investment contingent upon the credit recipient's designation of a specific amount of his own funds for its financing.

Section 13. If it is ascertained that investments credits have not been utilized in accordance with their designation or an investment on credit is being implemented improperly, a bank may call part or all of the distributed credit.

Section 14. If it is ascertained that the financial situation and the anticipated results of the economic activity of a credit recipient do not guarantee the on-time repayment of investment credits, and the bank has not approved the postponement of the repayment schedule, the regulations of section 11, item 3, apply accordingly.

Section 15. Units of the socialized economy that do not operate according to principles of cost effectiveness may utilize credits in cases specified in the regulations setting the norms for their financial management.

Chapter III: Distribution of Credits to Units of the Nonsocialized Economy and Private Individuals

Section 16. Banks distribute credits to private farmers and other private individuals conducting activity in the area of agricultural production as:

- 1) operating credits for financing outlays for the development of farm production, as well as other running outlays associated with such production,
- 2) investment credits for financing investments associated with farm production,
- 3) other credits stipulated in separate regulations.

Section 17. Banks distribute credits to units of the nonsocialized economy not mentioned in section 16 as:

- 1) operating credits for the financing of current economic activity,
- 2) investment credits for financing investments associated with economic activity.

Section 18. Banks distribute credits to private individuals for:

- 1) purposes associated with housing construction and the repair of homes or places of residence,
- 2) the purchase of manufactured articles and services,
- 3) other purposes stipulated in separate regulations.

Section 19.1. Banks are obliged to evaluate the advisability of the distribution of credits in sections 16 to 18, as well as to supervise the utilization of credits according to the purposes for which it was distributed.

2. If it is ascertained that:

- 1) credits have been utilized for purposes other than those specified in the agreement,
- 2) the credit recipient has stopped implementing the goal for which credits were distributed,
- 3) the repayment of credits is not taking place on schedule,
- 4) the credit recipient is not fulfilling other conditions established in the credit agreement,

the bank may call in the distributed credits ahead of schedule.

Chapter IV: Concluding Regulations

Section 20. The principles of the distribution of credits by banks to socialized units of the agricultural economy are regulated by separate regulations.

Section 21. The procedure for distributing, securing and repaying credits and for supervising their proper utilization by credit recipients is established by the internal instructions of bank presidents, and for cooperative banks, by the president of the Banking Board of the Food Economy.

Section 22. Resolution No 44 of the Council of Ministers, dated 5 March 1976, concerning the general principles of the distribution of credits by banks, loses force (MONITOR POLSKI No 15, item 68 and No 20, item 191, 1981).

Section 23. The resolution is effective the date of its announcement.

(signed) Chairman of the Council of Ministers
Army Gen Wojciech Jaruzelski

Monetary-Credit Policy for 1982

Warsaw RZECZPOSPOLITA in Polish No 25, 11 Feb 82 p 6

[Text] Bank monetary-credit policy for 1982 should be directed toward streamlining and stimulating economic endeavors aimed at the gradual stabilization of the economy and the restoration of economic equilibrium. With a reformed banking system, the task of monetary-credit policy should likewise be to uphold implementation of the principles and operational regulations outlined in economic reform assumptions. In granting credits and supervising their utilization, banks should counteract the worsening of the total financial equilibrium of the state, particularly its monetary-market equilibrium and equilibrium in investment activity.

1. The basic criteria for granting credit by banks for current activity of units of the socialized economy in 1982 shall be:

- the credit worthiness of a credit recipient evaluated according to the level of anticipated profitability,
- the social and economic advisability of the activity of the credit recipient.

2. It is assumed that the basic interest rate charged on credit in 1982 shall be 9 percent annually. The president of the Polish National Bank [NBP] shall determine a reduced rate to be applied for specially preferred fields of economy activity, warranted by the level of profitability and operating conditions.

3. Enterprises without full credit capability due to a temporary deficit rate of production may apply for credit under conditions specified in regulations concerning the rehabilitation procedure. Banks will make the distribution of credit to these units contingent upon an evaluation of the realism of the rehabilitation program.

4. Banks shall establish conditions for distributing credit and the amount of credit distributed in such a manner as to enable economic units to direct the financial means that they have saved primarily to finance operating activity.

5. Enterprises that, after calculating the financial results of the price reduction of reserves due to an official change in prices, do not attain a level of 30 percent of the financing of reserves in the statutory fund, can apply for bank credit at 5 percent interest in order to make up temporarily for the shortage of their own funds in assets. A condition for the granting of such credit is their submission to the bank and the bank's approval of a program of activities guaranteeing the repayment of this credit.

6. Banks may distribute emergency payment credit to efficient enterprises for a period not longer than 30 days in order to cover temporary difficulties in the repayment of obligations. A condition for applying for this type of credit is the credit recipient's maintaining payment discipline.

7. With a goal of maintaining the established proportions for distribution of the national income and the indispensable concentration of outlays, banks, in distributing credits for investments, should designate an appropriate share of the investor's own funds, taking into consideration the social and economic preference of the undertaken investments.

8. A condition for distributing credit and for financing central investments is being named in the Central Working Plan. Separate regulations outline the procedure and principles for concluding credit agreements for these investments.

9. In 1982, banks shall distribute credit for financing newly undertaken investments of individual enterprises and economic organizations based on investment construction, primarily for small-scale investments with a short cycle of implementation, not extending beyond 1983, as well as investments associated with food production, agricultural means of production, heating fuel and power conservation, and investments increasing export capabilities and reducing the need for imports.

10. Banks shall exclusively finance on credit:

- the continuing private investments of economic organizations qualified for implementation by the central team for reviewing continuing investments in 1981, appointed by an order of the chairman of the Council of Ministers,

- continuing investments scheduled for completion in 1982 and, in the case of production investments associated with the production of food and agricultural means of production, investments conserving heating fuel and power and investments increasing export capabilities and reducing the need for imports, those scheduled for completion in 1983.

A condition for distributing credit for such investments shall be the possession of a guarantee in agreements that work will be done and deliveries of machinery and equipment will be made.

11. In the area of distributing credit for cooperative multifamily housing construction, banks shall grant credit to the extent that the execution of work is guaranteed, the investment has been properly prepared for implementation and the costs for implementation of the investment (total and per-unit costs) are justified according to the bank's estimation. Banks shall not distribute credit to finance a structure that should be financed with the help of other units, is to be a general municipal facility and subject to financing from other outlays and funds, or will exceed the established standards for accompanying facilities.

12. In the area of distributing credit for single-family cooperative housing construction composed of close-knit low-lying units, banks shall correspondingly limit the amount of credit granted to those cases in which planned per-unit costs of such construction shall exceed the average per-unit cost for multifamily housing construction in the given voivodship by 50 percent.

13. The possibility of distributing credit to cover temporary losses is admissible under the condition that the bank approve a program for attaining an indispensable level of profitability. In warranted cases, banks may extend the period for repayment of investment credits and, with reference to units of the state and cooperative farming, they may facilitate conditions for freezing these credits. In every case, the application of these credit adjustments shall be preceded by a detailed analysis of the conditions of economic activity and the program for liquidating losses.

14. In the area of the nonsocialized economy, credit policy shall assist outlays for current production and for investments on private farms, as well as in handicraft, trade and service plants.

The needs of persons transferring into work in agriculture and in the nonsocialized economy outside agriculture, among other things, shall be considered. An active credit operation shall include working to bring the credit recipient to commit his own funds to the degree allowed by his financial potential and monetary-market situation. Credit assistance shall be linked with the implementation of goods and services deliveries to the market. At the same time, control over the advisability and effective use of credits shall be increased, through the total commitment of organs of self-government of cooperative banks.

15. Operating credits upon which the effective utilization of durable resources is contingent shall be distributed, up to the limit of justifiable economic need, to all persons meeting conditions for the production and rendering of services.

16. Investment credits for private farms shall be distributed above all for the purchase of farm land, for repairs and for the adaptation and modernization of existing production structures for the rational management of lands and the fuller utilization of the production potential of peasant farms with the relatively lesser use of actual investment funds than in the construction of new structures. Outlays linked with the construction of new production structures and with the purchase of tractors and farm machinery and equipment shall also be aided by credit.

17. In the nonsocialized economy outside farming, investment credits shall likewise be directed toward outlays enabling the running and starting up of idle plants, as well as the fuller utilization of production potential in existing plants.

18. In the area of credit distribution for single-family housing, there shall be a policy of selective awarding of credits, preferring the achievement of quick results and the commitment of one's own funds. Ventures associated with the restoration of technical values and usefulness through major repairs shall likewise be given preference.

19. The amounts and directions of credits distributed for the purchase of manufactured goods and services shall be based on an understanding with the Ministry of Domestic Trade and Services, with the monetary-market situation being taken into account. In the distribution of credit, preference shall be given above all to meeting the needs of young couples, miners and veterans.

20. The NBP president shall determine interest rates for credits distributed to units of the nonsocialized economy and to the populace, adjusted for changing monetary-market production conditions, preserving the indispensable preferences and adjustments emanating from economic and social indicators.

21. The NBP president shall determine the conditions and amount of interest on funds accumulated by units of the socialized economy for special-term deposit accounts. Depending on the time limit of investments and the period of notice, the interest may be as high as 6 percent per annum.

Conditions for Credit

Warsaw RZECZPOSPOLITA in Polish No 25, 11 Feb 82 p 6

[Article by Stanislaw Pietrasiewicz]

[Text] The new type of bank-enterprise relations in effect since 1 January 1982 is regulated by:

--Council of Ministers Resolution No 263, dated 11 December 1981, concerning the credit plan and the guidelines for bank monetary-credit policy; a draft of a Council of Ministers resolution concerning the general principles of credit distribution by banks; a draft of a Council of Ministers resolution concerning interest on funds in bank accounts of units of the socialized economy;

--Decree No A/1 of the NBP president, dated 6 January 1982, concerning the provisional principles for credit distribution during the first quarter of 1982. All of these legal documents are coordinated with the basic regulations controlling the operating principles of the economy in 1982, and likewise with the drafts of laws introduced in the Sejm concerning systems-type reform solutions, including in particular the draft of the Banking Law and the law concerning the NBP statute.

What effect will this package of legal documents have on enterprises and the entire economy?

First, a basic criterion of credit distribution for current activity (operating credit) and developmental activity (investment credit) shall be the so-called credit worthiness of the enterprise, in other words, the possibility of repayment of the acquired credit according to a specific schedule. As known, in 1982 and presumably after, a significant number of enterprises may not be able to amass the amount of funds needed for total financing of their running needs with their own resources. In such a situation, credit worthiness will be determined by the possibility of the gradual increasing of the level of an enterprise's own funding of ongoing activity. The rate of this increase will be the subject of individual negotiations between enterprises and the bank branches financing them.

Second, given the severe shortage of many raw and other materials and, at the same time, the need to meet basic social needs encompassed by so-called operational programs, in addition to the level of credit worthiness, a parallel criterion will be an analysis based on the need for these programs. At the same time, precautions shall be taken against the excessive accumulation of materials supply by units not associated with their implementation.

Third, the investment front, excessively expanded in past years, must concentrate funds for those ventures with the possibility of completion and production in 1982. For this reason, Resolution No 263, approved by the Council of Ministers, concerning the credit plan and the guidelines for monetary-credit policy, authorizes and at once obliges banks to continue credit distribution exclusively for investments to be completed in 1982 and, where linked with agriculture and the food economy, heating fuel and power conservation, as well as with increasing exports, likewise those to be completed in 1983. Credits are withheld with reference to other investments. Enterprises with an adequate amount of funds will be able to implement these investments in accordance with their own financial potential.

Fourth, in putting the credit policy into practice, banks will be guided by the priority financing of current needs over investment needs. This means that in cases of the availability of an enterprise's noncommitted funds in the development fund, in credit negotiations banks will require the commitment of these funds above all in the financing of ongoing activity.

Banks will draw 9 percent interest per annum on distributed credits. The differentiation in the amount of interest will be canceled, depending upon an evaluation of the so-called propriety or lack of propriety of an enterprise's accumulation of reserves, based on the assumption that interest should, by affecting the costs and profits of an enterprise, represent a sufficient factor restricting tendencies toward the so-called "hoarding of reserves." In extreme cases, a bank may refuse to distribute credit or may call it in. Thus, banks will employ only operating credit, bearing the same interest rate in all cases. Only certain divisions or branches of the economy, characterized by more difficult conditions of management and diminished profitability, will utilize bank credits. These few exceptions are covered in a decree of the NBP president.

In addition to operating credit, enterprises will be able to use short-term payments credit granted for 30 to 45 days in provisional cases of financial difficulty caused by delays in collection of remittances or other objective causes, for example.

Banks will pay 1 percent interest to units of the socialized economy on deposits in accounts of allocated funds. A favorable innovation for enterprises is the introduction of so-called no-term deposits, in which it will be possible, among other things, to deposit temporarily free resources, earning higher interest: with a 6-month time deposit--5 percent per annum; with a 12-month time deposit--6 percent per annum; with a 2-year time deposit--8 percent.

The shift to new principles of credit distribution requires separate discussion. As known, operating credits were granted for a period either to the end of 1981 or to the end of the first quarter of 1982. The classification of credits was also different. Moreover, since the beginning of 1982, it will not always be possible, for objective reasons, to prepare new recommendations for granting credit. In conjunction with this, provisional regulations provided for possibly extending the validity of decisions concerning the granting of credits for a period of 31 December 1981 through the first quarter of 1982, as well as retaining the validity of a decision concerning the granting of credit for a period to the end of the first quarter of 1982.

In conjunction with a change in the classification of credits, a bank will transfer a debt due to temporary credit or supplemental credit to enterprise clearing accounts. As the amount of basic credit granted for the first quarter of 1982, the sum of the basic credit granted, the temporary credit (except for such credit granted as emergency financial aid) and supplemental credit shall be totaled. Of course, this does not create an obstacle to applying to a bank during the first quarter of 1982 for an increase in the amount of basic credit granted, if credit needs become greater, or for an increase in payments credit, if these needs are temporary.

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USSR 2609/446

POLISH-BRITISH TRACTOR COPRODUCTION FAILURE DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 4 Feb 82 p 4

[Article by Edmund Szot: "What next for Ferguson?"]

[Text] According to Resolution No 46 of the Council of Ministers adopted in 1977, the Ursus Machinebuilding Enterprise was to produce 75,000 Massey-Ferguson [MF] tractors under license and 90,000 Perkins engines this year. It will produce about 400 to 500 tractors, with a 59 percent input of coproduced imports and about 4,000 Perkins engines, for which imported inputs amount to more than 60 percent at the end of last year.

How Did We Get There?

Over the last 2 years, the tractor under license has been one of the targets of Polish journalism. The tortuous path the development of our tractor industry has taken has been justly criticized. Voices demanding discontinuation of the license project have also been heard. On this occasion many reservations were made as to the tractor itself, which is on the whole a good machine, fully suited to the needs of Polish agriculture. To say that the tractor is good is not meant to say that the contract was. And here is how it started.

On 17 September, 1971, a first government decision on the development of the tractor industry was adopted. It envisaged two avenues for this development: 1) on the basis of domestic design with purchases of sublicenses and cooperation in design with foreign parties 2) on the basis of a complete license purchase. The presidency of the government opted for the second approach on 5 January 1973. The study of tractors produced by several leading companies began, some memoranda were written. Favorable credit conditions and the reputation of the company were of paramount importance--on 13 September 1974, a contract was signed with Massey-Ferguson.

The contract envisaged the production in Poland of 75,000 tractors with capacities between 22 and 55.2 Kwh (38 - 75 KM [horsepower]). Simultaneously, a contract was signed for credits extended for this venture. The MF concern undertook to purchase a certain amount of Polish goods, not necessarily products of the tractor industry. Conditions of the contract also stipulated the transfer of development of MF products. In other words, they granted us

the right to utilize the results of modernization developments. The validity of the license contract was to extend until 1989.

Continuation, or the Lesser Evil

The line of purchased tractors included five basic models with capacities of 38, 47, 60, 66 and 75 KM. Alternative design versions made it possible to produce 12 basic models and 38 modified versions.

The line of license tractors is standardized. At the same time, it is a modern, highly technically reliable product. It is economical in operation and offers a comfortable working environment. The fact that the tractor has been designed in the British system of measurement was a drawback of an organizational rather than technical nature.

At the price levels of 1976, 40 billion zlotys were to be invested in order to start production under license in the Association of Tractor Industry enterprises. Certain investments were also to be made in automotive and chemical industries.

Work [on the project] was started in Ursus and enterprises of the association in Gorzow, Lublin, Ostrow Wielkopolski, Wloclawek, Chelmno and Nisko. As we all remember, those were years of profound economic inefficiency. Commitment of investments overextended the opportunities of the economy. Due to the allotments of construction and installation work and of foreign-exchange funds forced [on the project] by the Planning Commission, construction work was lagging far behind schedule. Besides, progress of various sections of the project became unsynchronized.

Public opinion entered the field exactly at this point in the execution of the contract. The Ferguson affair began.

On 12 July 1981 a further resolution was adopted by the presidency of the government. The determination was made after some studies were considered. It was decided that the project would go on. However, the completion date was put off until 1986, whereas the projected output remained the same. Contractors were ordered to reduce the amount of material work. Also, the tractor industry was obligated to develop and strengthen cooperation with Czechoslovakia in producing heavy tractors with capacities between 75 and 160 KM.

Faster Means Cheaper

Discontinuation of the project would be an obvious loss due to the advanced stage it is in. This is the status as of today: the engine shop is almost finished, not much work remains to be done on the chassis shop. The plant in Nisko is already turning out aluminum die castings. The main clutch plant in Chelmno is near completion. Cooling systems produced by the Ostrow Wielkopolski plant are already being exported.

Ways to reduce foreign-exchange commitment for equipment purchases are now being sought in Ursus. Taking the opportunity to purchase equipment in

socialist countries is under consideration. The initially planned array of tractor models and modified versions has also been trimmed. The intention is to produce only tractors with capacities of 38, 47, 66 and 75 KM; the number of modified versions has been reduced to 10.

Simultaneously, an attempt is being made to utilize the already installed machinery and equipment. Among other things, they have been adjusted to the needs of current production of the Ursus tractor. New machinery, for example, is used to produce crankshafts, gear wheels and gear shafts. Machinery of old production lines is released in this way for spare parts production.

Besides, the production of the old C 360 tractor with the Perkins license engine has already begun. This year, the engine will be installed on about 3,000 Ursus tractors, next year--on 8,000 tractors.

Such are the stipulations of the latest resolution of the presidency of the government; in the first stage, the startup of engine production and coordination of investments is envisaged; in the second--further investment in the startup of tractor production.

At present, construction and installation activities are concentrated in the department of iron and steel (foundry in Lublin and forge shop and foundry in Ursus) and in providing the so-called technical infrastructure (power supply, waste-treatment plant) and also in speeding up work in the plants which will produce main cooperation elements (pumps, pistons, cylinder liners, etc.)

These efforts will facilitate a gradual reduction in the amount of coproduced imported inputs. For example, its share in the Perkins engine will fall from more than 60 percent to 25 percent as early as the end of this year.

So far, we have been exporting products of some already completed license projects. In the years 1978-1981, exports of MF tractor elements brought Poland earnings of 5,142,000 foreign-exchange zlotys, or about 747,000 pounds sterling.

Work on conversion to the metric system has begun, especially for screw couplings. Introduction of the metric system, however, limits opportunities for export of tractors. Therefore, tractors will have to be produced in both systems of measurements.

Carrying out the license project will consume much more investment than was originally planned. From the point of view of the economic situation in the country, the purchase of the Massey Ferguson license was definitely a failure. The worst blunder, however, was committed in stretching out beyond any reasonable time the investment cycle of this enterprise which our agriculture needs so much. The technical director of the Association of Tractor Industry, Edward Lesniak, asserts that had the 1977 resolution of the presidency of the government been implemented in time, the license tractor would have defended itself by virtue of its performance characteristics which it has not lost to this day.

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CSO: 2600/463

POLAND

DETAILS FURNISHED ON 1980-1981 LIVESTOCK PRODUCTION

Warsaw WIES WSPOLCZESNA in Polish No 11, Nov 81 pp 53-62

[Article by Jan Malkowski: "Livestock Production During 1980-1981"]

[Text] In 1980, overall livestock production dropped 5.2 percent compared with the preceding year; hence its rise during the second half of the 1970's was barely 1.8 percent (compared with a 29.6 percent increase in the first half of the 1970's). Marketable livestock production decreased by 1.4 percent in 1980 compared with 1979 and was 12.0 percent higher than in 1975 (during the 1971-1975 period it had increased by 47.5 percent).

The changes in the production of discrete varieties of meat during this period varied. Overall meat production in 1980 was 3.6 percent smaller than in 1979 and only 2.6 percent higher than in 1975. In 1980 the output of pork and beef decreased by 3.7 and 4.5 percent respectively compared with 1979, while poultry output increased 5.5 percent. Pork output in 1980 was 3.1 percent greater than in 1975; beef output, 5.6 percent greater; and poultry output, 7.8 percent greater.

Milk output in 1980 decreased by 1.2 percent compared with 1979; during the 1975-1980 period it increased by barely 2.3 percent. Egg output increased by 1.7 percent compared with the preceding year--and by 10.3 percent compared with 1975.

In 1981 egg output will most likely be at the 1980 level, while milk output will be at a lower level than in 1980. On the other hand, meat output in 1981 will be markedly lower than in 1980 and 1975. In view of these figures, the worsening of the food situation in 1981 can be understood, particularly if allowance is made for the markedly increased food demand.

The principal direct cause of the deep decline in meat output in 1981 is the collapse of hog-raising, on which meat production in Poland is chiefly based. Fluctuations in hog production have been frequent. Most often they diverged from fluctuations in beef production, which moreover had not been as sharp as at present. This time, the decline in pork output is exceptionally marked and, as in 1970, accompanied by a decline in beef output, which also is much deeper than in 1970. So far nothing indicates that meat production could increase in 1982. It is rather expected to diminish further.

Number of Hogs

In mid-1980 the hog population amounted to 21,326,000 head; i.e., nearly as many as in 1975 and about 400,000 head fewer than in the record year in this respect, 1978. In mid-1981 the hog population was 13.3 percent lower than in 1980 and amounted to 18,487,000 head; that is, somewhat less than in 1976. The fact that the decline in the hog population in 1981 was only slightly steeper than in 1976 deserves emphasis, since it could have been much more steeper, considering that the overall fodder balance in the 1980/1981 farming year was worse than in the 1975/1976 farming year while the hog and cattle population was about the same at the beginning of these years but poultry production last year was much higher.

The grain harvest in 1980 was more than 1 million tons lower than in 1975, and the potato harvest, 20 million tons lower. Sales of industrial feeds to agriculture in 1980/1981 were about 400,000 tons lower than in 1975/1976. The marked decline in the potato harvest was the steepest on private farms, though they survived best with livestock production. The hog population on these farms decreased by only 11 percent, whereas in socialized agriculture, in which potatoes are a minor crop, the hog population declined by about 20 percent.

This raises the question of how to account for the relatively small decline in the hog population of nonsocialized agriculture. The reasons could have been many. First, the hog population in nonsocialized agriculture in 1980 was nearly 2 million head smaller than in 1975, and 3 million head smaller than in 1978. Second, in 1980, that population was to a greater degree than in 1975 located on medium and large farms; that is, farms with greater production stability. Third, some of the smallest private farms were this time even able to expand hog-raising in view of the low prices of piglets and the considerable problems in meat procurements. Fourth, the increases of 6 zlotys in hog procurement prices early in September and 8 zlotys per kg of slaughter animals in mid-November 1980 may have been a major factor.

Finally, the possibilities of livestock production in nonsocialized agriculture cannot be assessed solely on the basis of the national fodder balance. Livestock-raising in this sector is considerably scattered; e.g., hogs are being raised on about 2 million private farms, including 1.2 farms with no more than five hogs each. A large part of the farms with two to three hogs each consists of small and medium farms capable of raising larger number of hogs. The utilization of these possibilities hinges on market and economic conditions; for this very reason livestock raising in the nonsocialized sector of agriculture most often does not change in direct proportion to changes in fodder resources.

In socialized agriculture, in which the concentration of livestock production is incomparably greater than in private farming, the decline in the livestock population was simply inevitable, owing to not only subjective but objective causes. True, the application of the directive-type system to state farms in the 1980/1981 farming year was relaxed, and the prospects for transition to cost-effective accounting steadily approached. This alone cannot account

for the steep decline in livestock population of socialized agriculture. The principal cause was the shortage of farm-grown fodder and the limited possibilities for its procurements from the state. Since these possibilities will not improve in the next few years, while the new economic management system on state farms will prompt them in the direction of more efficient management, a further decline in their livestock population is expected. Should this happen, as likely, livestock production in nonsocialized agriculture would greatly gain in significance.

The reversal of the developmental trends of livestock production since the mid-1970s in the sector system should be brought about, and as soon as possible. While livestock production used to increase only in socialized agriculture, and at the much more rapid rate than crop production, whereas in nonsocialized agriculture it had been diminishing, in the next few years the development of livestock production should be directed so as to make it again the domain of peasant [private] agriculture. Private agriculture is better suited to the labor-intensive livestock production, and this suitability should be utilized. Such a strategy would have been the most appropriate except in reality we are dealing with a declining trend in livestock production in both sectors. Thus, from the standpoint of emergency needs, it would be necessary to halt the decline in that production in socialized farming and revive it in nonsocialized farming, because only then can an at least slow increase in livestock production be expected in the next few years.

As of September 1981, no signs of any revival of hog raising on private farms have yet been noticed, despite the operation of the new procurement prices for the last few months. This conclusion is suggested by the most authoritative indicators in this respect: the evolution of the prices of piglets and especially the farrowing indicator.

In March and April 1981, piglet prices rose steeply, but in May, June and July they hovered around the April level, when the ratio of piglet prices to slaughter-hog procurement prices had decreased from 28:1 to 23:1, owing to the increase in hog procurement prices since 1 April 1981. This time piglet prices themselves cannot properly reflect the production intentions of farmers, because the relations on the piglet market have changed fundamentally, owing to the reduced demand for piglets by socialized agriculture. However, the persistent decline in the number of farrowing pigs leaves no doubt that hog-raising is not changing in the desired direction.

From January to July 1981, inclusively, the farrowing indicator ranged around 90 percent. As a result the number of piglets below 3 months of age and farrowing sows early in July 1981 was much lower than in a like period of the preceding year. If in the next few months the growth rate of farrowings will not accelerate markedly to the 115 to 120 percent level, this will signify lack of interest by farmers in hog raising. What is more, hog-raising may continue to decrease. The farrowing indicators during the 1979-1981 period are illustrated by the following figures (preceding year = 100).

Month	1974	1975	1976	1977	1978	1979	1980	1981
January	97.1	98.1	98.2	108.8	87.9	95.4	104.3	87.9
February	96.2	96.5	89.8	130.3	83.3	95.3	105.5	86.5
March	97.6	96.6	85.1	135.6	85.1	101.1	99.1	90.0
April	95.9	85.3	82.9	139.1	85.8	104.7	97.4	92.7
May	89.8	82.8	91.5	133.6	88.4	103.6	99.0	91.8
June	97.8	94.8	89.5	132.2	92.3	101.3	102.8	88.9
July	91.1	100.3	77.7	138.3	92.8	103.4	96.5	87.6
August	92.8	98.3	80.3	133.2	94.3	103.6	93.8	-
September	90.1	96.7	81.0	124.6	97.6	103.6	87.6	-
October	88.4	101.0	83.6	120.0	97.0	104.6	79.7	-
November	90.0	100.5	102.3	119.0	97.2	102.8	75.9	-
December	89.4	96.6	113.0	117.2	96.4	104.5	82.8	-

Source: GUS [Main Office of Statistics] data

Production and Procurements of Slaughter Hogs

A preliminary estimate is that production of slaughter hogs in 1981 will be about 1,900,000 tons or approximately 300,000 tons lower than in 1980 and 400,000 tons lower than in 1975; i.e., 15 and 18 percent lower, respectively. The decline in slaughter-hog procurements has always exceeded declines in slaughter-hog production, since the part of production not comprised in the procurements has been stable. In other words, the decline in slaughter-hog procurements in previous years corresponded to the decline in production. In 1981, for many reasons, these proportions are different. The part of production not included in the procurements has increased markedly; hence the decline in slaughter-hog procurements will be much greater in absolute and relative figures than the decline in hog production.

During the first 8 months of 1981, slaughter-hog procurements totaled about 869,000 tons--i.e., 325,000 tons (25 percent) fewer than during a like period in 1980--of which 32 percent less in July and 44 percent less in August than during the same months in the preceding year. Thus, the decline in slaughter-hog procurements, which as usual grows steeper in time, has been disproportionately steep compared with the decline in production throughout the year. In this connection, it is to be assumed that during the September-December period in 1981 slaughter-hog procurements will be lower by about 40 percent or 354,000 tons than in a like period in 1980. In this event, hog procurements for the whole year would be at the level of about 1,300,000 tons and would be nearly 560,000 tons lower than in 1980, while the part not included in the procurements would amount to about 600,000 tons, compared with about 300,000 tons in the previous years.

Hog procurements in 1982 may be more or less at the 1981 level; in the first half of the year they should be lower, while in the second half higher, than during like periods in 1981--provided, however, that the hog population in mid-1982 will be greater than in 1981. The development of slaughter-hog procurements next year may be markedly affected by the eventual changes in the procurement prices as well as in the meat retail prices.

Number and Procurements of Slaughter Cattle

In 1980 the cattle population decreased 3.0 percent compared with 1979 and 3.3 percent compared with 1975. The decrease took place both in socialized and in nonsocialized agriculture, except that in the latter it was smaller.

In 1981 cattle-raising further decreased, and to a greater extent than ever before during the postwar period. The cattle population in 1981 decreased by 6.3 percent compared with 1980, including 3.8 percent in nonsocialized farming and as much as 14.6 percent in socialized farming. Thus the current cattle population of 11.8 million head is lower than in 1973. It is to be expected that rebuilding the cattle population will be slow and prolonged, in connection with the change in the rule that had until recently been played in this field by socialized agriculture. As known, socialized agriculture used to take over the raising of a large number of calves produced on private farms, through direct cooperation with nonsocialized agriculture and, to an even greater extent, through the mediation of ZHI0Z. This activity will be markedly reduced. This is indicated by not only the steep decline in the cattle population of socialized agriculture but also by the decline in the procurements of calves by ZHI0Z.

In the period from January to July 1981 the raising of calves decreased by 32 percent (to 452,000 from 933,000 head) compared with a like period in 1980; of this amount, the raising of calves originating from ZHI0Z procurements decreased to 296,000 from 612,000 head, and calves originating from selection among butcher calves, to 156,000 from 321,000 head. The principal suppliers of these calves were state farms. It is difficult to expect that private farms can in the very near future fill the gap that has arisen owing to the decrease in the activities of socialized agriculture in this field.

Fluctuations in slaughter-cattle procurements generally are not as sharp as those in slaughter-hog procurements, owing to the longer production cycle and the fairly sizable share of cows in the cattle stock and whose extent of slaughter varies considerably.

Procurements of young cattle are chiefly linked to the size of its population, while procurements of cows are linked to changes in the cow population. In early July 1981 the population of young cattle (excluding cows) was 630,000 head less (i.e., 10 percent lower) than early in July 1980. This is a marked decrease in population which will result in a lower level of young-cattle procurements for the next few years, regardless of the rate at which the cattle population is reconstructed. The decline in cattle population is smaller, but the scale of cow procurements is affected by the extent to which cows are culled. In periods of reduction in the cow population the degree of culling is about 14 to 15 percent, while during periods of herd rebuilding this degree is only 8 to 10 percent.

In 1979, cow procurements totaled 924,000 head and in 1980, 860,000 head; i.e., 15.2 and 14.4 percent of the cow population, respectively. In 1981 and especially in 1982, cow procurements will markedly decrease, because the high milk and cow procurement prices in trade among farmers will prompt

prolongation of the cow-raising period. Procurements of young cattle also will be disproportionately lower than the decline in its population, because the greater part of heifers will be used to rebuild the cow herd.

In the first half of 1981 the procurements of slaughter cattle by the CPMs [meat industry centers] were about 20 percent lower compared with a like period in 1980. In the second half of 1981, a somewhat steeper decline in cattle procurements is expected, because in this period the decline in cow procurements will be greater than in the first half of 1981. If the decline in slaughter-cattle procurements amounts to 25 percent, then the yearly procurements of cattle by the CPMs would be about 940,000 tons, or about 270,000 tons less than in 1980. For the 1982-1983 period and for the first half of 1984 the level of slaughter-cattle procurements is to be at the same, if not lower, as in 1981. Any increase in meat production until the second half of 1984 can occur solely to an increase in the production of poultry and pork.

Milk Production and Procurements

The year 1981 will be the third successive year of declining milk production, and on a greater scale. In the previous 2 years, milk production decreased at the rate of about 1 percent annually, whereas in 1981 it will decrease by several percent. Hence, milk production in the first year of the current decade may even fall somewhat below the 1975 level. The principal cause has been the difficult production conditions in recent years, averse to maintaining the cow population and to increasing cow productivity.

The cow population declined in 1980 and 1981. Last year this decline was 1.9 percent compared with 1979; in 1981, it will have reached 3.3 percent compared with 1980. The cow population is 6 percent smaller than in 1975.

The 1980/1981 farming year, in which a steep decline in the production and procurements of milk took place, was particularly difficult from the standpoint of fodder. The markedly worse feeding of cows in that year resulted in not only a substantial decline in their milk yield but also in their physical debilitation and worsened health, and hence also in disturbances in the lactation process. The effects of poor nutrition have been long-lasting--only this can explain why milk procurements last May and June were as much as about 10 percent lower than in like months last year, and last July, 5 percent lower.

Between January and July 1981, milk procurements were 810 million liters lower than in a like period last year; i.e., 13.5 percent lower (in the first quarter of this year milk procurements were about 20 percent lower). In August, milk procurements came close to their August 1980 level, and in the subsequent months they may even be higher than in the like months last year. However, milk procurements in the second half of 1980 were about 7 percent lower than in the second half of 1979. Thus, if milk procurements during the September-December 1981 period were to be about 7 percent higher than during a like period in the preceding year, on the yearly scale they would reach

about 9.5 billion liters and would be .06 billion liters or 6.0 percent lower than in 1980.

Such a scale of milk procurements is, however, hardly likely. During the September-December period milk procurements could not be as high as during the same period in 1979. The record high milk procurements in 1979 were achieved in the presence of a larger cow population and a record potato harvest--with a large part of that harvest used to feed cows. If the potato harvest this year is good, the price of milk will encourage feeding potatoes to cows, especially because the hog population is low. Thus even if the milk yield of cows were to attain the level of that period, milk production would be lower, owing to the smaller cow population. On the other hand, an increase in the marketability of milk is expected, since it has not occurred so far. If the retail prices of milk and dairy products were to increase markedly, the marketability of milk production could decrease and then the current milk procurement prices would no longer be actual. Hence, next year's milk procurements will hinge much more on the future level of these prices than on the production of milk, and thus the level of these procurements cannot now be forecast.

New Procurement Prices in the Opinion of Farmers

Toward the end of May and early in June 1981 the Institute of Farm Economics polled about 1,800 private farmers about the new farm prices and production intentions.* The poll revealed that the farmers liked best the procurement prices of milk and heavy cattle and, among the crops, of rye. Their favorable response to the milk procurement prices has not yet been reflected in an increased milk supply, for the reasons mentioned. Nevertheless, this lays the foundation for an increase in future milk production, because cow prices are at a very high level, and this will contribute to an increase in the cow population.

As for grain procurement prices, although in general the farmers responded to them favorably, they also will not be positively reflected in this year's grain procurements, for several reasons. The steep increases in these prices would produce results in the more distant future by making farmers more interested in overall marketable production of grain.

The procurements of grain from the 1981 harvest have so far been rather low, and in many ways they are taking place under conditions completely different

*The findings of that poll are discussed in greater detail by A. Roznoch, "Development Trends of Agricultural Production Following Recent Changes in Agricultural Prices," WIES WSPOLCZESNA, No 10, 1981. See also J. Malkowski, "State and Prospects of Livestock Breeding in the Light of the New Prices," WSPOLCZESNA, RAPORTY, EKSPERTYZK IER, [Communiques, Reports, and Expertises of the Institute of Agricultural Economics].

from those of the previous years, being determined not only by the grain harvest and the new procurement prices but also by the markedly reduced quotas for the sales of feeds and the associated prices of grain in trade among farmers, as well as by the recent retail prices of grain products.

The response of the polled farmers to the procurement prices of potatoes and sugar beets was not as favorable as their response to grain prices. However, that a relatively high percentage of those polled had no reaction to potato prices (27 percent) and sugar beet prices (44.2 percent). This presumably was a factor in that only 55 percent of the farmers regarded the price of potatoes as appropriate, and only 41 percent the price of sugar beets. The opinions of the polled farmers on profitability of production are illustrated by the following figures (in percentage of farmers believing a particular type of production to be most profitable):

Type of Production	June 1981	May 1980	September 1979	April 1977
Milk	53.8	38.4	32.0	39.1
Butcher cattle	8.6	-	-	-
Sheep	0.7	2.1	2.6	4.1
Poultry	0.7	-	-	-
Grain	5.1	5.4	5.1	4.4
Potatoes	4.5	6.9	11.7	4.7
Sugar beets	4.2	5.9	6.1	3.7
Other industrial crops	3.0	10.0	10.6	10.5
Other crops	4.7	4.1	3.2	-
No data	1.5	8.8	10.0	4.8

These findings indicate that milk production is more profitable than any other type of farm production. The other types, including grain and potatoes, are in low percentages of preference, except hog-raising, which was considered profitable by 13.8 percent of the farmers polled. Such a striking current disproportion in the assessment of the profitability of milk production compared with other produce has not been observed previously. True, the profitability of hog-raising was evaluated relatively high, but shown earlier, this evaluation is not reflected in practice and it would probably be lower now that farmers are becoming more familiar with the new prices of feeds, as well as allowing for the actual prices of grain in trade among farmers, which are much higher than its procurement prices.

On the whole the profitability of slaughter-cattle-raising was ranked rather low, although most farmers regarded the prices of most cattle, and especially of the heaviest cattle, as rather appropriate.

The quantitative assessment of the production intentions of farmers is not sufficiently precise to serve as a basis for making forecasts, but to some extent it points to the trends that may arise. The data obtained on this subject confirmed our conclusion that the new milk procurement prices will contribute to rebuilding the cow herd. More than 30 percent of the farmers polled plan to increase their cow herds, especially on medium and large farms.

On a definite majority of farms measuring up to 2 hectares in area, no cows are raised and there is no intention to raise them. This also applies to pigs, cattle and hogs. Thus, there is no definite trend for resuming livestock raising on the smallest farms--which had been a major factor in this respect. So far, especially before the poll, the necessary premises for stimulating such a trend did not exist. Only an increase in the retail prices of meat and milk and their processed forms could eventually cause greater interest in livestock raising on small farms.

The poll of farmers about their production intentions does not provide much indication as to the development of hog-raising in the next few months. It is feared that, like cattle-raising, hog-raising may be overshadowed by the universal interest in milk production or in such income. From this standpoint, a much more authoritative criterion is, and will be, the development of piglet prices and the indicator of the rate of breeding of sows, which so far, as mentioned, has been evolving favorably.

Summary and Conclusions

So far, the new procurement prices, while meeting with a generally favorable reception from farmers, have not yet stimulated explicit growth trends in livestock production--with the exception of the cow population--nor have they led to an immediate increase in the degree of marketability of production. Even the exceptionally large increase in milk procurement prices has this time produced more modest results than previous smaller increases. This is happening, as we have attempted to show, for many reasons, to which should also be added the consequences of the general market disequilibrium and structural instability. It should also be borne in mind, however, that the flexibility of agricultural production as a whole always is, according to Chomsky, smaller than the flexibility of individual products. This time we are dealing with a general increase in the procurement prices of agricultural products, and on a rarely encountered scale.

With the 1979 prices as the point of reference, the current procurement prices are higher as follows: for milk, 143 percent; for hogs, 91 percent; for slaughter cattle, 108 percent; and for rye, 111 percent. But while procurement prices are effective owing to a different manner of payment for the production potential, a general change in prices does not result in structural changes in the allocation of existing resources. Given such a great and universal raising of prices as in the spring of 1981, the main prerequisite for increase in production is an additional flow of resources. If this is lacking, the effectiveness of price reforms cannot be attained. Observations of current production trends and of the course of adaptive processes on private farms indicate that the effect of the recent price increases on production will be moderate and much lower than expected.

The principal bottleneck in the development of livestock production now and in the future is the shortage of fodder of all kinds (resulting from many causes, including the application of mineral fertilizers) and of crop residues as a whole. Hence, too, unless in the next few years at least

the application of mineral fertilizers is radically augmented, the food problem in Poland cannot be satisfactorily resolved.

In the current situation, special emphasis must be placed on the extremely low level of the production and, especially, procurements of meat that prevails and will persist until at least the fall of 1982. This fact may result in various social tensions that are difficult to anticipate. In this connection, everything possible must be done to prevent this period from extending. Hence, too, the actual course of hog-raising is of essential importance, because only its upswing can result in a marked improvement in the meat supply as early as in the second half of 1982. Thus if no explicit signs of a revival of hog-raising appear in the fall, it would be urgent to restore the proper ratio of hog procurement prices to the prices of milk and grain, since the latter prices are unfavorable to hog-raising and do not assure its revival.

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CSO: 1600/419

PROSPECTS FOR IMPROVED FARM MACHINERY DELIVERY DISCUSSED

WARSZAWA ZYCIE GOSPODARCZE in Polish No 6, 28 Feb 82 p 6

[Article by Krzysztof Fronczak: "Everything for Agriculture: Hope for More"]

[Text] Last year was not too favorable for the agricultural machinery industry, and this is no surprise, considering the general situation of the economy. Despite many attempts to seek ways out of this stalemate in which large-scale search actions by the nonbranch producers were supposed to play a remarkable role, Poland has not managed in any essential way to increase the amount and range of machinery supplied to the villages.

It is claimed by experts from Agromet, which is in its final days, that it is precisely this year which is supposed to bring a perceptible change for the better, and they support this thesis with the fact that in January 1982 production of machinery for agriculture was 16 percent greater than it was in January 1981, which may sound optimistic in view of the decline in industry that is proceeding further.

Agriculture occupies a considerable place on the list of operational programs. These programs cover deliveries of fertilizers and pesticides as well as the supply of machinery, equipment, means of transport, spare parts and storage batteries and tires. But engineer Stanislaw Rubaj, plenipotentiary of the Ministry of Metallurgy and the Machine Engineering Industry [MHIPM] for matters concerning the Industry of Tractors, Machinery and Agricultural Implements, will not have an easy task writing "100 percent" at the end of 1982 in the "fulfilled" column for each piece of machinery specified in Operational Program No 2. The experience of the previous years has shown that this has happened exceptionally rarely.

At the Starting Point

The machinery industry is starting to implement this operational program from a weak position. Let us go back to the last few years to document this.

In mid-1975 it was decided that in the 5-year period 1976-1980 the following 3 machinery systems would be introduced for the 14 basic work technologies in agriculture: for harvesting grain, for harvesting and drying green forage, for cultivating and harvesting root crops and for preparing fodder.

Some of these systems has lived to be implemented. In all four cases the technological chains are incomplete.

In the aforementioned 5-year period, deliveries of 167.5 billion zlotys' worth (at 1976 prices) of agricultural machinery and equipment were made, which insured that 10 percent of the needs of agriculture were covered. In reality, 20 percent of the plan was fulfilled, and 63 percent of the needs of agriculture were covered. The needs of agriculture for 1981, constituting, after all, the fiduciary point for the operational program, were specified as 50 billion zlotys; 33.4 billion zlotys were received for the plan and somewhat less required to be accomplished. For 1982, however, the tally sheet looks like this: agriculture required 62 billion zlotys' worth of machinery and the operational program assures (at least in the plan) products valued at 47 billion zlotys, and again, the spreads are enormous.

Additionally, the spare-parts situation is very bad. Of 30,000 varied items in a rapid turnover, 10 to 15 percent are lacking on a regular basis. The accumulation of deficiencies during the past several years, and this concerns pumps, batteries and tires, in particular, caused the immobilization of about 11,000 tractors in the socialized sector alone last year.

The needs of agriculture are enormous and considerably outweigh the production possibilities of industry--there is no doubt about that. Data on the appetites of agriculture are gathered by trade (for example, on the basis of the amount of cattle made), the voivodship agencies supply them and finally, specialists from IMCR (Institute for Construction, Mechanization, Electrification and Agriculture) make their own forecasts. It may well be that these forecasts are overestimated and at least in part may result from the widespread practice of ordering for reserve.

The chief specialist at the Complex for Forecasting and Sector Coordination associated with the plenipotentiary for the MHiPM, Stanislaw Twardowski, who is preoccupied with these problems every day (including, among other problems, persuading nongovernment factories to produce for agriculture), is convinced that the needs reported by agriculture are illusory. For example, if we were to take a close look at the use of potato-digging machines, it would turn out that, in practice, one potato-digging machine serves not more than 2 hectares. In other words, the demand for this implement is enormous, and the market conditions are insatiable, because each farmer wants to have his own potato-digging machine, and we must make this possible for him. For example, in one voivodship has 112,000 farms, the annual production of potato-digging machines is approaching 31,000 and, therefore, production is not sufficient to distribute potato-digging machines to every single voivodship.

We have been importing about 2,500 potato-planting machines annually from Czechoslovakia; we want to begin production on the order of 10,000 potato-planting machines in Poland, which means that each gmina [parish] will get 5.

Last year, individual farmers purchased more than 1,000 Bizon combines--some of them had to know, after all, that they would not be able to take full advantage of such an efficient machine, but evidently the purchase paid off for them.

At the same time, the above-mentioned startling facts attest to how exorbitant it is for industry to pay industry for wretched, expensive and unpunctual work by agricultural service enterprises. On the other hand, it is difficult not to notice industry's guilt--it is enough to look at a random agricultural circle to see how much machinery is standing idle because of a lack of spare parts. It follows from the preceding accounts, even conceding that they are grossly oversimplified, that the basic issue is an enormous spread between what industry offers and what the villages are demanding.

The sudden growth of demand has been pressuring producers lately, especially, farmers with money available, which they did not know what to do with, for there was a shortage of attractive goods, rushed en masse to the warehouses and bought up virtually everything they could. Recently the cobwebs came out of the agromy warehouses.

Years ago the public prosecutor was interested in the fate of the coal-fired steaming plants standing in the grass, for there was a lack of willing buyers, and nothing promised a return to the boons of coal-fired boilers. But it was sufficient for industrial power-conversion plants to stop installing new steam meters for the villages, and with this the shutting off of steam was a nightmare for the peasants, and electric steaming plants became a rarity. In effect, the coal-fired steaming plant became a rarity, and the villages are cursing industry's sluggishness in one loud voice. In my opinion, these complaints are completely justified. After all, industry exists to produce, and it should not concern the farmer why there are no machines. The objective difficulties, the startling demand, should not interest him.

What Is in the Program?

The satisfaction of agriculture's demand for machinery is a tune of the future. And everyone is aware of that. It is the ambition of engineer Kholod, one-time chief director of the former Agromet union, and thus an expert in the sector, to alleviate the acute deficit, felt the most in the 61 machines delivered by the operational program. These 61 items are only a quarter of the production value of agricultural machinery, which does not mean that the remaining 30 percent to a marginal position. These are the 61 machines at least. But particular attention is given to those 61 machines, to the extent to which the needs of agriculture are satisfied is exceptionally high here. Aside from modern and complicated machines, such as combine harvesters, the list also contains simple implements, beginning with horse-drawn plows and harrows and ending with coal-fired steaming plants. Especially these simplest machines, which are lacking the most, are the subject of particular concern.

At the time being, the program is operating within a first-quarter time frame. The remaining three quarters are in the completion stage, especially in regards materials supply, which is creating exceptionally difficult problems.

The official departure was the understanding concluded on 8 September 1981 between the minister of metallurgy and the machine engineering industry and

the minister of agriculture and the food industry, in which the former was obligated to insure in 1982 "deliveries of particular varieties of agricultural implements and spare parts in amounts approximating the demand as closely as possible." When one analyzes this document, it is not difficult to find once again a significant hiatus now and then between what the agricultural ministry would like to receive and what industry actually can supply. Here are several examples of the largest spreads:

Table 1

Item	<u>Demand</u>	<u>Plan of Deliveries</u>
rototillers	13,000	7,500
RT-21 horsepower manure spreaders	11,000	6,000
RT-121.5 " "	10,000	7,500
2-row " "	10,000	8,000
1-drill suspended, tractor-drawn		
furrow plow	11,000	7,000
WC-5 sheaf-binding machine	16,000	12,000
horse-drawn mowers	15,000	10,000
PW-220 forkloaders	30,000	21,000
R-1000S ventilating fans	20,000	10,000
1- and 2-container milking machines		
in terms of 1-container	100,000	46,000
all-purpose shredder	40,000	20,000
total number of tractors	115,000	58,000

Although the program entrusted to him is considerably more modest than the one which agriculture would prefer, and although January's production results have fallen invitingly, Director Rubaj does not have an easy task. On the other hand, even his acknowledged adversaries consider the barricades too ambitious and think they are outgrowing industry's possibilities.

Both Sides of the Coin

Primarily, it is doubtful whether there are enough materials. Already the third quarter may be a very difficult one in this regard, despite the binding priorities. And there is a shortage of elements of the products manufactured by the chemical industry. Spare parts, the old refrain: we will run out of tires, V-belts, high-pressure hoses, dyes, lacquers and plastics. And the machinery industry itself is not guiltless--storage batteries, pin-link chains, starters, valves, fuel apparatus, shafts, connecting rods for tractors and even plowshares and parts for harrows and cultivators (for their mass production is increasing twofold to threefold) complete the picture. And although spare-parts production has become more profitable since the introduction of reform, it is difficult to hope for visible improvement, particularly in cases where their manufacture involves imported raw materials. This barrier is an insurmountable one.

At present in trade turnover there are 340 pieces of machinery and equipment which the farmers are using, and, as we remember, only 61 of these were on

the operational program. Most frequently, these are machines for individual farms. Since the beginning of 1981, industry has been producing the variety of manufactured implements. Nonbranch establishments were supposed to be encouraged--and they managed without encouragement--to produce for agriculture within the framework of the campaign which we also are supporting in the columns of our newspaper. Stanislaw Twardowski, whose task it is to organize and coordinate the campaign, is considered an operational man. He is also an optimist, and in his opinion the enlistment of establishments to collaborate with is going quite well, although not without problems.

In mid-February of this year, conversations had been conducted with 720 enterprises, 163 are preparing to start production and 72 have signed an agreement with trade and are already producing. For example, 11 establishments are manufacturing tractor-drawn cultivators (or will be doing so shortly). Thanks to this fact, as Director Twardowski assures us, this year we are succeeding in supplying the rural market with 35,000 of these machines (last year we supplied 12,000), although the manufacturer until now, only in Grudziadz, can produce only 15,000. The Zygmunt foundry is supplying 1,200 rototillers this year (of the 7,500 envisaged by the operational program). More clear-cut effects of the campaign are to be evident probably this year, when production will be started (may it finally be started) by newly won-over nonbranch contracting parties and by those from the long-standing Agromet, who have changed the range of products. All of this is supposed to provide, among other things:

Table 11

	1981 <u>deliveries</u> <u>in thousands of machines</u>	1982 <u>plan</u>
tractors, tractor-drawn plows	23.4	40.5
tractors, " " harrows	17.1	35.0
tractors, " " " "	13.0	27.0
tractors, " " cultivators	12.0	29.5
tractors, " " manure spreaders	13.9	24.0
tractors, tractor-drawn bedding-raking machines	3.5	17.0
tractors, bedding-raking machines	2.0	4.6

It is not like to fix them, but last year's results of the "Everything for Agriculture" campaign were more than modest. This was confirmed by a check made at the end of 1981 by the Supreme Chamber of Control [NIK], which indicated that in a 10-month period last year, actually only the mentioned enterprises discharged its obligations, resulting in production valued at 1.1 billion zlotys. Other establishments produced spare parts and accessories for agricultural implements valued at 172 million zlotys in 150 enterprises. Many interested establishments withdrew, being unable to manage with units in sale prices, because a corresponding order of the State Central Commission [PKC] in this matter was issued with great delay. Similarly, the decision of the minister of metallurgy and machine engineering industry, which obligated Agromet to concern itself with the material needs

(metallurgical products) of nonbranch establishments beginning to produce for agriculture, too, came out too late, only on 10 November. The materials barrier up to this time was an effective deterrent, particularly for the small producers.

The check done by the Chamber of Control stated that the Agromet factories' collaboration with potential candidates and future partners left much to be desired. There were frequent deviations from the transmitted documentation--we have brought attention to such cases many times in the columns of ZYCIE GOSPODARSTWA. For its part, the agricultural machinery industry, despite slowing down its production potential in connection with the restriction on production of machinery for multicommodity farms, did not manage to utilize this potential fully to produce scarce, simple agricultural machinery.

It also follows from these materials, for example, that, according to the data obtained for the first 10 months of 1981--that is, at the end of October--the further development of confirmed agricultural deliveries for individual farmers totaled (I am citing only certain facts): horse-drawn bedding-raking machines, 21.6 percent (!), raised digging machines, 62.4 percent, and 1-container milling machines, 38.6 percent.

We described the situation in the Wroclaw Archimedes plant in mid-1981--one could hope for such advanced production. What? Import. The producer of the Agromet agricultural digging-machinery factory in Strzelce Opolskie did not receive the appropriate amount of large-toothed rubber belts--this time the chemistry industry is ingratiating itself. Now what could we run short of for the production of simple bedding-raking machines?

Moreover, it is worth focusing attention on how miraculously we succeeded, nevertheless, in 2 months to promote the plan and to produce the missing 2,635 bedding-raking machines in so short a time. Something clearly is amiss in these statistics.

The operational program can become agriculture's opportunity. One could wish that the column of numbers entered in the plans for 1982 could be transformed into concrete machinery and equipment. It also seems that last year the opportunity to prepare the foreground for the plan's implementation was not taken advantage of. And that is a shame. But that does not cancel out the opportunities of 1982. However, let us now promise the farmers that it will be a year of radical improvement. The moderated optimism which the author of these words shares is completely advisable, despite this.

5/29
PPO: 2600/402

INCREASED CULTIVATION OF LEGUMES PLANNED FOR 1982

Warsaw CHLOPSKA DROGA in Polish 14 Mar 82 p 10

[Article by Jadwiga Wasowska: "Possibility of Increasing the Edible Legumes Crop"]

[Text] Every Thursday, the traditional Scandinavian menu includes pea soup. There is no indication that the Scandinavians will give up this dish although they do not experience any shortage of meat. But in our country, pea soup or beans Brittany style are true rarities. Recently, these dishes have practically disappeared from our menus. It is hard to get the seeds of these plants in state stores, and at the street market one must pay 200 zlotys or more for a kilogram. Peas and beans, so far unsubsidized, in contradistinction to until recently inexpensive meat (also a good source of protein, and protein more valuable than vegetable protein) were chased from our fields by the laws of economics.

The pea is simply the perfect protein product: 25 percent of its contents is protein. Protein, in turn, is the irreplaceable and essential raw material for proper functioning of any living organism, young or fully matured.

Edible leguminous plants were not conspicuous in our fields and gardens. They occupied the largest area in 1980, when they covered 69.8 thousand hectares. Previously less than one half of this area was planted. The area planted was always subject to great variations. For instance, that was the case of peas. From year to year there was a tendency to limit the area for peas. During the years 1960 to 1965, the area for peas amounted to 11,000 hectares, in 1976 it decreased to 7,300 hectares and in 1980 it grew insignificantly. This year, the progress of contracting between farmers and the government causes apprehension whether contracts will be fulfilled. Why is this? There is a shortage of the right variety of beans. The leading varieties, the bomb and the village, are characterized by unreliable harvests and low resistance to diseases. Production of the beautiful Jas pea also encountered difficulties because of its high labor intensity. (It requires picking and must be manually harvested.) Thus, if breeding does not soon produce some new and improved varieties of pea for consumption as dry grain, it will be difficult to expect a noticeable improvement in market supplies of beans and its products.

increasing the variations of area planted by the whole family of edible leguminous crops, the undoubted reason for the situation is the unpredictable response of these crops in response to changing weather conditions. Additionally, leguminous crops in comparison with cereals require more meticulous care (they are more labor intensive) and their harvesting, especially with mechanical devices, usually presents many difficulties. However, in almost all cases, the nutritional value of this family of plants was ignored. In fact, grains of leguminous crops have the highest protein content of all agricultural plants. While potatoes contain 1 to 2 percent of protein and cereals 8 to 14, leguminous crops have over 20, and some varieties even 40 percent. In the current meat shortage, legumes can be a perfect addition to the diet.

To meet this demand, the Ministry of Agriculture and Food Industry prepared a plan to increase production of edible leguminous crops this year. The plan calls for an increase of area under cultivation from 70,000 (in 1980) to 87,500 hectares this year; i.e. by about 25 percent. The greatest increase will be in the area for peas and beans for consumption as dry grain (from 13,000 to 33,000 and from 8,300 to 12,000, respectively) and under green peas (from 8,000 to 10,000 hectares). Thus peas and beans for consumption as dry grain and string beans and green peas will continue to command the largest share of area under cultivation. Cultivation of broad beans is concentrated mainly in backyard gardens and gardening plots. Fruit- and vegetable-processing plants are highly interested in contracting for broad beans but only for the small grain varieties. A shortage of this kind of broad beans on the market, prevents their processing on a large scale. This is another invitation for producers.

Finally, another leguminous crop, are no longer an exotic plant. The new variety, progress, recently bred by the Institute of Plant Cultivation and Horticulture in Radzikow, creates the possibility of greater production, enough to satisfy the demand of the fruit- and vegetable-processing industry.

To fulfill these tasks, even after considering the possibility of producing own seeds, the Agricultural and Horticultural Seed Production Association must fulfill the necessary quantity of seeds. Estimates indicate that there is enough seed. For instance, there is a requirement for 10,000 tons of pea seed but the association has 10,500 at its disposal; similarly, with green peas the requirement is 3,500 tons and 4,550 are available. The situation with green peas to be consumed as dry grain is a bit worse. The requirement is an estimated 1,000 tons but only 460 tons are at the disposal of the association. Furthermore however, the high level of internal seed production over the last several years, the association expects that the available quantity will satisfy all demands. For the remaining leguminous crops--string beans, broad beans and soybeans--the seed situation is good.

The coming week to individuals will take place in retail stores of the District Gardening and Agricultural Cooperative and of the Central Union of Gardening Cooperatives "Peasant Selfhelp"; collective purchases by the Gardening District Administration and the Rural Housewives' Circles) can be made at seed-order points of the District of Garden and Nursery Seeds

center. In the latter case, a part of the retail margin will be sacrificed and discount will be given. This applies to the seeds of peas, beans and broad beans, but not soybeans. Soybean seeds will be bagged in 200-gram bags and will be available at the Wroclaw and Krakow OWs which serve the southern part of the country, which is best suited for soybean production.

Additionally, the Agricultural and Horticultural Seed Production Association is setting up this year an experimental lentil field. Lentil is not a popular but highly valuable leguminous crop occasionally found in the southeastern part of the country. Until now, lentil seeds were not even traded by seed enterprises.

The profitability of leguminous crops is limited by the need to combat weeds. For the contracted production, weed killers will be set aside. Also, adequate quantities of insecticides will be required to protect the contracted production of peas for dry grain and of broad bean.

The allocation of insecticides will be handled by the Voivodship Stations for Quarantine and Protection of Plants in accordance with this year's rules of supplying agriculture with plant protective substances prepared by the Ministry of Agriculture and Food Industry.

The program to expand production of edible leguminous crops is a fact. Its goals are realistic by any standard. The most important point, however, is that no matter how slowly, the role and importance of vegetable protein in human nutrition are being recognized. Leguminous crops are a real source of valuable protein. It is time to appreciate them.

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WŁ: 9077/450

SPECIALIST URGES BETTER UTILIZATION OF FERTILIZER

Wprost GROMADA in Polish 18 Feb 82 p 6

[Interview with Professor Dr habilitatus Mariusz Potyma, director of the Enterprise for Fertilizing of the IUNG [Institute of Cultivation, Fertilization and Soil Science], by Grzegorz Krekora; date and place not specified]

[Text] [Question] Professor, fertilizers are a decisive factor in intensive crop production...

[Answer] At the outset, it is necessary to clarify something--fertilizing is a very important but not the only means of increasing yields. The farmer will not replace constant losses from deficiencies in cultivation with fertilizing. High dosages of mineral fertilizers should be applied only in highly cultivated soil that has been carefully cultivated at the proper times. Fertilizers are only a "benefactor" along with, and not instead of, good agricultural engineering.

[Question] At best this spring's supply of mineral fertilizers will not be greater than last year's. Given this situation, is it possible to attain higher yields?

[Answer] Actually, we have a relatively low consumption level of mineral fertilizers. The fact is, however, that the pool of fertilizers available to our agriculture assures a so-called well-balanced food economy. Due to fertilizing we do not impoverish the natural fertility of the soil; rather we furnish it with the least amount of alimentary substance that we harvest from green crop cultivation. In dealing with approximate quantities for our agriculture, one can easily ascertain the right amount. For every unit of grain, 6.5 kg of NPK (nitrogen-phosphorous-potassium) is required--half of which is afforded by organic fertilizing (manure, green fertilizers). An average yield in recent years amounted to about 30 units of grain per hectare. Therefore, in using mineral fertilizers, it was necessary to supply the soil with about 120 kg NPK, which farmers had available fertilizers in the amount of 150 kg NPK per hectare. The combination of these two quantities indicate that even with average dosages of fertilizers, one can still expect a certain increase in yields.

[Question] This also proves that we are fertilizing ineffectively. And it isn't just because we continue to have insufficient fertilizers.

It is difficult to talk about a reasonable amount of fertilizing in the field. The farmer who does not know the real food abundance of the soil. Even if he is able to estimate correctly the total fertility of the soil, its chemical activity, he will not be in a position to establish optimal quantities of fertilizer dosages without accurate results from a soil analysis done at a central-agricultural station. The majority of farmers fertilize as they see fit, most often with the idea of the more, the better. Meanwhile, fertilizing has not rid of arbitrariness.

The demand for every food ingredient results from specified requirements of crops established separately according to the type and kind of cultivation, fertility of soil, applied early crop and the like. Using only intensified fertilizing can result in a lowering of yield; for example, due to a surplus of nitrogen, crops drop.

Usually, when GS (Rural Commune Cooperative) warehouses are short on fertilizer, the farmer is not completely free to establish the amount of sowing and selection of the appropriate fertilizer for a given crop. The decision of how much and where to "spread" fertilizer is most often taken according to the profitability of the given cultivation. Often such "economical fertilizing" is not really.

Question: Every year we painfully feel the shortage in our nitrogen fertilizer supply. How can the farmers themselves alleviate this situation?

Answer: The general principle in fertilizing with nitrogen is having it skillfully spread in a dosage that, in previous periods, has given a maximum supply of this element to crops. If we have a small quantity of nitrogen fertilizer available on the farm, we must restrict the nitrogen of the dosage for particular cultivations. The weaker the dosage, the more particular we are about nourishing the crops themselves. That is why we fertilize shortly after sowing, right after the winter crop has been put in, before the potatoes come up but not before planting them.

With relatively small quantities of fertilizers, one must pay a lot of attention to the overhead of their distribution. It is better to spread granulated fertilizers of the saltpeter or nitrochalk type with a crop sower (or a spreader of the cultural). This method of spreading allows one to establish accurately the required dosage of fertilizers. Experiences in cultivation have proved that in preserving good agricultural engineering conditions, the nitrogenous nitrogen for grain can be limited to 30 kg per hectare without losing a distinguished yield.

1970
Page 100 (17)

COAL EXPORT SITUATION REPORTED

Warsaw POLITYKA in Polish No 5, 20 Mar 82 Suppl pp 18, 19

[Interview with Witold Rosnowski, director general of the Foreign Trade Agency WEGOTOKS, by Sandra Dobkowska: "How Much Coal Will There Be for Exports?"; date and place not given]

[Text] [Question] Mr Director, last year [1981] was extremely unfavorable for coal extraction and hence also for coal exports. Are the forecasts for the present year more optimistic?

[Answer] The supply of coal for export appears to be definitely improved in comparison with the previous year. Thus, while in 1981 we received only 15 million tons, of which nearly 2 million tons was during the first quarter, the allocation for the first quarter of this year is about 5 million tons.

To be sure, there is not as yet any final decision as to the export share of coal for 1982 as a whole, but it can be assumed that it will be 20-odd million tons.

[Question] This is not an imposing amount, considering that for many years Poland had been the world's second biggest exporter of coal...

[Answer] Of course, from 1974 until 1979 our exports hovered at 40 million tons annually, and in 1979 they even reached 41 million tons.

But at the same time, in recent years the world's leading coal producers have markedly increased their extraction and--for some--their exports as well. Thus, e.g., the United States, whose exports ranged within 50-60 million tons during the 1970's (except in the exceptionally unfavorable year 1978 when they fell to 37 million tons), had in 1980 sold more than 80 million tons abroad.

Australia and South Africa have also overtaken us. Last year, Australian exports were about 50 million tons, and South African exports, 30 million tons, whereas in 1975 they supplied the world market with only 30 and 3 million tons, respectively. All these countries are expanding their production potential and assuming a further marked increase in exports.

QUESTION: In a situation there is virtually no chance for Poland's recovery of the position of the world's second-largest coal exporter. What is more, it is to be expected that our share in world turnovers will relatively diminish.

ANSWER (MR): When will we eventually be able to regain the export scale of our best years in the past? Is such a recovery possible at all?

ANSWER: First we understand that coal must be conserved, that this is a social necessity. The possibilities of the development of deposits are, after all, limited. But we have a tremendous internal potential consisting in strengthening the efficiency of consumption of this raw material in our economy—potential that has not previously been exploited at all. Coal should be very cheap and was a minimal factor in enterprise costs. No one tried to conserve it, because no one appreciated its value. This must be changed.

QUESTION: As our place in world coal markets has been occupied by others, knowing that we have such possibilities, will we be able to export as much coal as we want?

ANSWER: There is never any vacuum in the world commodity trade. When we reduced our deliveries, our place was filled by others. Please note that in 1980 we sold only 11 million tons abroad compared with 40 million the previous year. In 1981, exports continued to collapse and fell to the level of 12 million tons. Altogether, this happened within as little time as 17 months. But we are aware that if our coal were regularly available for exports, we could reintroduce it on the markets. There is every reason for doing so.

QUESTION: It would be difficult to increase our exports from 15 to 40 million tons within any quite short period of time, but anyway we are not facing any threat at present. On the other hand, given the stable world demand for coal for export, we will always be able to sell it on foreign markets.

ANSWER: Our return to foreign exports has caused feelings of tremendous relief among our users, because they are used to Polish coal and its quality meets their needs. After all, some have even been designing their new facilities to use our coal—for example, the firms. Also significant is the fact that we are well-situated. Our customers are close to us and the delivery periods are lower. All these factors also count. And that is why we must think about the future of Polish coal exports.

QUESTION: Might it not be likely that, following a period of uncertainty in Poland, customers could lose their trust in us?

ANSWER: It is obviously repudiating the undermined trust that is our principal task for the present and for the near future.

QUESTION: It is possible that the preponderant share of world trade in coal is now in long-term contracts rather than in sporadic sales. We, too, have entered contracts, which we have been unable to fulfill completely in the last 12 months. That is why our clients are watching us closely, wishing

Q. I wonder whether the recently observed improvements in the sphere of production, and hence also in the sphere of exports of coal, are of a permanent nature and whether we can once again be relied on.

A. It is important that we determine as soon as possible what quantity of coal we can afford for exports this year and in the subsequent years, and that we really fulfill our obligations. In other words, what counts is not so much the declarations themselves but their fulfillment. This will be the criterion of our credibility.

Q. Now, the foreign trade is at present getting oriented toward closer cooperation with the socialist countries. In this connection, will the assessment of coal exports become changed?

A. Answer: The socialist countries have traditionally been customers for coal. More than one-third of the Polish coal allocated for export, and moreover their share has been increasing. Of these, the principal customer is the Soviet Union, followed by the GDR and Czechoslovakia.

Q. We have already have traditional directions in our exports to the capitalist countries. There is Europe, above all--it also is our natural market and we will keep on it in the future. The greatest role is played by the countries in our closest neighbors such as Finland, Denmark, the FRG and Austria. (Czechia), however, every coal-importing country in West Europe is also a customer for our fuel.

Q. Now, what is the place of coal in overall Polish exports?

A. Answer: The value of exported coal accounts for a significant share in our foreign earnings. It has varied in different periods. For example, immediately after the war, when Poland had been selling little abroad, coal accounted for 84 percent of all Polish exports. Subsequently its share diminished to, ultimately, about one-tenth in the late 1960's and early 1970's. However, in the mid-1970's this share increased again; e.g., in 1975 it reached 16 percent, whereas it again began to decrease. In the last "good" year, 1978, it reached 11.9 percent, while in 1981 it fell to 6.1 percent of all foreign earnings.

Q. (I do not know those figures that are the most essential). What counts so much is the fact that coal continues to be a commodity in demand, an important source of fundamental importance, whose exports by Poland can provide OPEC states with other valuable raw materials such as crude petroleum, gas, timber, iron, fertilizers and food. Not unimportant also is the fact that machinery, the world's machinery, facilities and ships are sold on credit, whereas coal is sold for cash.

Q. Now, Mr. Director, at the last session of the State Council for Fuel and Energy Management, forecasts of Poland's energy policy for the period until the year 2000 were presented. At that session, there was formulated, among other things, the assumption that the growth rate of coal consumption would be such and enabled to the "ultimately necessary level of exports," which

Q: What about 10 million tons annually until the late 1980's. What do you think of that forecast?

A: I am assuming an increase in exports to 30 million tons annually with their subsequent maintenance at that level. I'm a trade person, and what that amount of coal would be greater. Considering the increasing worldwide consumption of coal we would like to retain our position in foreign markets. But it will be necessary to increase exports if this objective is to be attained, because other countries also will expand output and exports. Is this realistic, though...?

Q: In view of this doubt, I have my last question: What should and can be done to make sure an energy-intensive economy is as amenable to the world's expansion of exports?

A: Well, this is indeed a serious problem. Our coal resources are not inexhaustible, while our economy as yet does not take into account the level of the consumption of energy-sensitive raw materials. I would very much like a national policy coal exports to the levels attained in our best years. But, I think, this can be achieved only if the domestic consumption of this fuel is properly restricted.

A: Now? Thank you for the interview.

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REPUBLICS DISAGREE ON UNIFIED BALANCE OF PAYMENTS PLAN

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Apr 82 p 2

[Excerpt] As expected, the latest effort by delegates in the council for economic relations with foreign countries (within the Chamber of Republics and Provinces) to reach agreement on the decision regarding unified plans for the foreign exchange balance and balance of payments for this year was not very successful. According to delegates of all republics and provinces, not even the latest proposal made by the FEC (Federal Executive Council) eliminated the essential reservations directed against previous draft decisions.

This time, however, the delegates from Kosovo, Bosnia-Hercegovina, and Montenegro said they were ready to accept the latest suggested solutions, regardless of their defects. Bosnia-Hercegovina, alone, asked that its balance of payments positions be calculated on the basis of its real 1981 imports. Expressing readiness to accept the proposed solutions, these republics and Kosovo stressed the need to come to agreement as rapidly as possible.

The attitude of the other republics and Vojvodina, however, remained the same as it had been earlier. The Slovenian delegates held to their old reservations, adding a long list of comments to the content of the proposal, as well as concrete dissatisfaction with its [Slovenia's] [balance of payments and foreign exchange] position. Croatia also rejected the proposal, with delegate Anton Bubic criticizing the FEC for not doing enough to find solutions acceptable to all.

The delegates from Serbia, Macedonia, and Vojvodina also did not support the proposal. The delegates from Serbia expressed their previous reservations to the methodology used in calculating the balance of payments positions and suggested additional criteria.

The FEC was then left to examine the latest objections and resubmit the documents.--The opposing views on these documents, however, have not clouded the basic problem of having to export as much as possible. It was not clear to delegates how this can be done along with the dizzying increase in domestic consumption and in prices.

At the meeting the following trade data was given for the first quarter of this year: Total exports increased 6.7 percent over the same 1981 period (11.1 percent more to the developed countries, 3 percent more to the socialist countries, and 9.7 percent more to the developing countries). Total imports declined by 9.3 percent, and exports paid for 71.6 percent of imports which is better than last year, when the proportion was 60.9 percent. However, total trade is developing on a lower level than planned.

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ILLEGAL GROWTH OF 'LANDLORDISM' IN CROATIA

Zabreb VJESNIK IN Serbo-Croatian 29 Mar 82 p 4

[Article by Mirko Sajler: "The Forgotten Morals of the Slavonian Agrobusiness Case"]

[Text] Renting out someone else's land, which many of us have probably never encountered, has spread widely and come to involve many people. The campaign of the Trade Unions of Slavonian and Baranja will certainly enjoy large-scale support.

In order to protect public property within an agricultural complex, it will be necessary to undertake a large-scale sociopolitical campaign involving the League of Communists, the trade union and other sociopolitical organizations at the level of the Slavonia-Baranja Region and its opstinas and within the OUR [organizations of associated labor] Of course, one cannot omit either the self-management organs or the entire delegate mechanism.

Such is the conclusion of the Presidency of the Interopstina Council of the Federation of Trade Unions of Slavonia and Baranja, which discussed the "agrobusiness dealings of prominent figures," saying that there is clear evidence of abuses and that these abuses and their perpetrators must be properly judged and evaluated politically.

In Every Opstina

Abuses of one's official position, as concerns public land or means of production, has been established by state attorneys for the self-managing system, agencies of the Ministry of the Interior, the Peasant-Democrat Coalition, inspection boards, and other agencies, concerned solely with tracking down clues supplied to them by working people of individual OURs where such things were going on. Vladimir Kokeza, state attorney for the self-managing system of the Association of Communes, in his report to sociopolitical organizations of the region, emphasized among other things that there was appropriation of public land, its usurpation, utilization of public funds for private purposes, infractions of a financial and documentational nature, etc. This was shown to be true for the Viticulture and Wine-growing OUR the Kutjevo PPK [Agricultural and Food Processing Enterprise], the Kopanica OUR operating within the Jasinje SOUR [Composite Organization of Associated Labor] of Slavonski Brod, as well as in certain work organization of the Belje SOUR such as Mirkovac and Sirine, in the Zupanja PPK in Babina Greda, Gradiste, etc.

There are indications of similar phenomena in the Osijek industrial agricultural enterprise and Kakovo agricultural and industrial enterprise SOURs as well as in the Vinkova, Valpovac and Donji Miholjac areas.

All of this suggests that there is hardly any opstina in Slavonia and Baranja where such things have not been going on.

Primarily the Managers

Collaborators within cooperatives or centers for the cooperation of integrated enterprises have been primarily managers in the integrated enterprises but there have also been managers of opstina administrative organizations and many others whose basic occupation was not agriculture. When some director, or president of an opstina, despite his high earnings, collaborates with cooperatives and centers for cooperation, frequently not knowing what is actually planted on "his" land, then this not only clashes with the socialist moral system but gives indication that the entire affair is taking on the character of a criminal action.

Even if the investigating officers have not yet completed their work, the sociopolitical organizations at the opstina level and within associated labor have had grounds to take up a stand and politically evaluate these phenomena. Furthermore, they could already have judged the behavior of "prominent agricultural businessmen" who in chasing after easy fortunes and illegal wealth have forgotten their moral values.

Secrets and Manipulations

On the contrary, behavior of the opposite sort has been noted. Affairs have been hushed up, everything has been called a lie, reporters have been accused of inventing cases, etc. Such accusations have come even from the speaker's platform of the opstina conferences of the League of Communists, to say nothing of the self-managing organs and sociopolitical organizations within the individual collectives. It is obvious that these agricultural businessmen are powerful figures who manipulate practically entire opstina structures. Thus classical landlordism becomes a reality, with a whole network of abuses.

For precisely this reason the campaign of the Presidency of the Interopstina Council of the Federation of Trade Unions of Slavonia and Baranja deserves particular attention and shows how and by which route such phenomena should be revealed to the public, phenomena characteristic not only of the agricultural complex but present also in the construction industry, in commerce and in other activities. This campaign will most certainly enjoy the support of working people in associated labor and of individual agricultural workers whose maximum allowed acreage is fixed at the same time that prominent agricultural businessmen "till" three times larger areas. The campaign has been officially recognized but there continues to be resistance so that its realization will depend largely on how much it can successfully accomplish in individual situations.

BRIEFS

LACK OF BUSES IN KOSOVO--The news that about 120 "Kosovotrans" buses will be taken out of service because of a shortage of tires has aroused great interest among working people, especially those who commute from one town to another or to their work. Stories are circulating that many bus lines will be eliminated and many transport workers will have to be furloughed. Sani Morina, director general of the "Kosovotrans" work organization said it is not true that 120 buses are out of operation but a considerable number are. "If tires are not supplied soon, there is the danger that about 350 buses will be out of operation. This means that many lines will be eliminated." This work organization which employs 3,500 workers, is faced with a lack of foreign exchange; tire producers and the market ask that it pay 40-50 percent of the price of tires in hard currency. "We recently paid "Jugoauto" in dinars for about 500 tires [Morina said] but at considerable expense because these were imported from Czechoslovakia and cost 5,500 dinars more than domestic tires. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 25 Mar 82 p 7]

CROATIAN PLANT IN UROSEVAC--By the end of the current medium-term plan four projects are to be built in Urosevac on the basis of income-linking with factories from other republics and Vojvodina. The first project, a factory for producing heat exchangers, is to begin in May, financed jointly by the seamed pipe factory in Urosevac and the Djuro Djakovic enterprise in Slavonski Brod. It is valued at 800 million dinars and production should start at the end of 1984. Annual production is expected to be 3,000 tons resulting in an income of 700 million dinars; the plant expects to employ 350 workers. Only domestic raw materials will be used in production. [Excerpt] [Pristina JEDINSTVO in Serbo-Croatian 24 Mar 82 p 7]

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